

MALTA



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BUDGET  
SPEECH

**EDWARD SCICLUNA**  
MINISTER FOR FINANCE





Ministry for Finance

# Budget Speech

# 2017

The Hon. Prof. Edward Scicluna  
Minister for Finance  
Malta  
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## **INTRODUCTION – GOVERNMENT’S VISION FOR MALTA**

Mr Speaker, I am presenting this budget with a greater sense of serenity than ever before because I am confident that now Maltese and Gozitan families have well understood Government's plan for this legislature and are feeling the positive effects of this plan in their pockets.

Moreover, they are also acknowledging that all that Government undertook thus far was aimed, one step at a time, to reach those targets promised to families and businesses in the Electoral Programme. And that aim was to create prosperity which generates jobs, new opportunities, and above all, the means to distribute this wealth more equitably to include those most in need.

Today we have reached a point where our economic and financial results, which are the envy of our partners in the European Union, are being taken for granted by some in our own country. This gives us satisfaction because it means that our families are no longer plagued by the uncertainty that prevailed previously. It means that our families are today looking at important aspects of life such as the environment and the education of their children. They are no longer worried about whether they can even afford to pay their electricity bill.

This is evident from public opinion surveys. The Eurobarometer, carried out by the European Commission twice a year amongst families in our country, in 2012 showed that for 61 per cent of respondents, the issue of greatest concern was inflation. Today this has gone down to 24 per cent, and now people are more concerned by immigration and environmental issues, amongst other things.

This did not happen in neighbouring countries. Across the EU, almost half of those participating in the Eurobarometer are still seeing unemployment as the biggest problem in their country. In our country, only five per cent are of the same opinion. In relative terms, ten times less.

And this with good reason, because whilst in other countries unemployment is still a huge problem, especially for millions of young people, our country witnessed three consecutive years during which there was a surplus of jobs, such that foreigners had to be employed to sustain the economic rhythm.

I would like to remind those who take these results for granted of our point of departure.

When I was appointed Finance Minister, Government was faced with a deficit far in excess of that forecasted. Consequently, our country re-entered into the excessive deficit procedure by the European Commission. This was the third time in the space of ten

years. Those who claim that the economic situation in our country was good, should be reminded that the country had just entered into the macro imbalances procedure where the Commission warned us about the high level of debt, not only public but also private debt. Today, all this is history because our country exited both procedures with honours.

Shortly before the start of this legislature, in January 2013, S&P Global Ratings had downgraded the country's rating for the second time in that legislature. I am pleased to say that last Friday, we witnessed, for the first time in twenty years, a country upgrade for Malta from 'BBB+' to 'A-' by this agency.

This came about because, in one budget after another, we were prudent and diligent in the execution of our plan. In our first budget, the emphasis was on bringing back stability and certainty in our economy. We presented our targets and took the necessary steps to build a dynamic economy, where businesses felt confident enough to invest and create jobs while our families had fewer burdens to carry, leaving them with a bigger spending power and an eagerness to look forward to new opportunities.

In our second budget we rewarded diligence. We took the necessary steps to encourage and assist all those who wanted to work. We reduced income tax and introduced tax credits and benefits to incentivise more people to enter the workforce. We launched free childcare - a measure that many European

countries only dream of ever adopting. We delivered our promise to reduce utility bills and to invest heavily in the energy sector after many long years of apathy.

In the subsequent budget, we implemented progressive reforms in the social benefits system. Whilst targeting abuse, we introduced clear incentives for whoever wanted to walk out of social dependence. It was not an easy decision. We were criticised by some for opting to still pay a portion of social benefits to those who found employment.

Today I am pleased to say that these measures were a sensible investment. Thousands of persons benefited as they were able to come out of dependence on social assistance. They are now gainfully employed and are building a better life for themselves.

Taxpayers benefited as millions of euro were saved in recurrent expenditure. In the past two years, expenditure on non-contributory assistance was on a downward trend. These measures also benefited those who took advantage of these schemes and started working for their own improvement and for that of their families. These successes in the labour sector and in economic performance, have led to an increase in Government revenue from taxation.



This, despite the fact that, since I have been Minister of Finance, I have had the pleasure of announcing consistent income tax cuts. Tax cuts, which had a favourable effect on all.

In the budget for the current year, we made provision for those who had not yet directly benefited from measures taken in the preceding years. We reduced tax for lower income earners. We introduced tax credits for anyone who voluntarily invested in private pensions. We yet again raised the in-work benefit for workers with a lower than average income. We continued to assist first time property buyers - the dowry of the Labour Government to young couples.

And for the first time in a generation, we raised pensions by more than the cost of living adjustment. A measure that benefited 12,000 pensioners with the lowest income, whilst surviving spouses who had paid national insurance contributions were given the right to a much better pension.

We could do this because Malta became a strong economy.

What gives us most satisfaction is that this economic growth was accompanied by a strong upsurge in employment. In many countries, despite the fact that national wealth was once again gaining rhythm, the increase in employment figures was little to none. During the same period, our national wealth increased by 15 per cent whilst employment increased by 13 per cent.

The national wealth of our country is being felt by our families. In the first half of 2016, €443 million more were paid out in wages and salaries, which is equivalent to an increase of 28 per cent, when compared to the first half of the final year of the previous administration. Deposits of Maltese and Gozitan families in local banks today total €10.3 billion, an increase of 33 per cent over the amount at the start of this legislature.

The budget for next year will continue to reinforce these results.

We shall continue to strengthen our economy and give even more incentives to encourage more people to join the labour force and our young people to acquire the necessary skills to fully benefit from our strong economy. Although significant progress was registered in this sector, we feel we can achieve even better results because the potential exists.

Our ambition is to achieve that which was acquired by Northern European countries years ago, where the rate of employment exceeds 70 per cent. Moreover, in the same way we have strived to encourage more people to go out to work, we must now take up the challenge of giving our work force the necessary skills. This will mean more investment in education, both academic and vocational, even more so in the latter. Employers are facing too many challenges in finding workers with the necessary skills. In the coming years we shall be addressing this issue.

At the same time we shall continue improving access to adequate financing for businesses.

We shall continue with unprecedented investment in our economy. Last year we had an absolute record in the history of our country in capital expenditure. We succeeded in taking up a very large amount of European funds to improve our infrastructure. And we shall press on in this direction. As the private sector grows and attracts more investment, it is the duty of the Government to bring about an improvement in the country's infrastructure, be it in energy, transport, health and education. And this, in collaboration with the private sector.

Above all however, this budget is a social budget. Hence the message: Malta - Prosperity that reaches everyone.

Because we are aware that, although many are benefiting from the progress we have made, there are still others who are finding it hard to make ends meet. Through the strength we have acquired and the wealth we have created, we are now in a position to help these people with a greater sense of purpose than ever before.

In this budget will shall continue in this direction, assisting our families in facing new challenges, such as the increase in house rents. And we shall continue to assist those who voluntarily wish to save for their retirement.

At the same time, we have taken steps to assist those who cannot join the workforce and more measures will be introduced through this budget to improve their income. And because we have a strong economy, we can provide all this without negatively impacting the deficit.

In truth, we are building a Malta where prosperity reaches everyone.

### **The Economic and Financial Situation**

Mr Speaker, at this point I would like to take a look at the latest economic and financial developments in Malta, as well as the outlook for the coming years, particularly because the budget is built on these figures.

With great satisfaction, I can affirm that in the first half of the current year Malta registered an economic growth of 4.1 per cent in real terms and 6.1 per cent in nominal terms. By way of comparison, our growth in real terms was more than double the growth registered in the European Union and in the Euro Zone, where the average economic growth in the first half of 2016 was of 1.9 per cent.

This growth was supported by strong increases in private consumption and investment, which reflected the increases in wages and salaries, as well as higher corporate profits. It is also

important to note that growth was diversified as the majority of sectors, including manufacturing, recorded an increase in Gross Value Added.

In employment, today we have reached a stage where, in general, one no longer seeks work but rather seeks to improve one's job position. According to Eurostat, employers in our country have a job vacancy rate that is almost double the European average. Malta is attracting foreign workers because it has jobs to offer.

This massive growth in employment was generated by the private sector which continued to be the major source for job creation. In April of this year, the total increase in jobs was of almost 7,400 where more than 7,000 of these were created by the private sector. This means that 96 per cent of all new jobs were in the private sector. The sectors that created most jobs included professional, technical, scientific and administrative services, as well as the arts, entertainment and recreation.

Also to be noted is the substantial rise in female employment. During the three years of this legislature, the rate of female employment rose by almost 6 percentage points.

Another success story was the decrease in unemployment, particularly among young people. In fact, the rate of unemployment reached a record low level of 4.9 per cent in July of this year, whilst youth unemployment amounted to 10.8 per cent.

The number of young people registering for work went down from 1,250 to a mere 326.

This was happening at a time when inflation remained relatively low at 1 per cent according to the Harmonised Index of Consumer Prices (HICP), and 0.82 per cent according to the Retail Price Index (RPI), in August of this year.

Success was also achieved in international trade, where in the first seven months of this year, exports net of fuels went up by €454 million, compared to the same period last year. Substantial growth was also registered in the export of services, including tourism, where in the first seven months of this year, and excluding cruise passengers, Malta hosted around 1.1 million tourists. This is equivalent to a growth of 10 per cent when compared to the same period in 2015.

This led to a growth in tourist spending of 5.4 per cent whilst the number of nights spent in Malta rose by 7.3 per cent.

These positive results had a favourable impact on the Global Competitiveness Report issued by the international World Economic Forum. According to the latest edition of the Global Competitiveness Index (2016-2017), Malta advanced by no less than eight places on the basis of substantial growth and sustainable public finances. Out of 138 countries around the world, Malta has now risen to 40th place.

Let's move on to public finances.

The immediate improvements obtained in this sector carried forward into this year. This year, we are expecting the deficit in public finances to decrease to 0.7 per cent which is 0.4 lower than the original budgetary estimate and an improvement of 0.7 percentage points over last year. Our target of a favourable fiscal balance is, so to say, right round the corner.

An integral indicator on the state of public finances is public debt as compared to the Gross Domestic Product, or better put, in relative terms. This gives us a clearer indication of the burden of public debt on the economy. At the end of 2013, public debt fell to 68.6 per cent; at the end of 2014 it decreased to 67.1 per cent whilst at the end of 2015 it had gone down to 64 per cent. This year we anticipate that public debt will continue to fall to 63.3 per cent of Gross Domestic Product. This means that families in Malta and Gozo, who in their large majority are averse to any form of debt, are now seeing that each year we are achieving all of our forecasts and estimates.

All this was achieved while financing the ever growing needs of health, education and social security.

## **Forecasts for the Economy and Public Finances**

Before moving on to local economic forecasts I would like to take a look at international economic forecasts for the coming years. The most recent forecast issued by the International Monetary Fund revised downwards the outlook for global economic growth for the coming year to 3.4 per cent.

In the case of Malta growth in real terms is expected to be of 3.5 per cent and 5.8 per cent in nominal terms. Growth is expected to be generated by higher private consumption and investment. Private consumption is expected to grow thanks to strong growth in employment accompanied by higher net revenues from taxation, through a rise in salaries against a background of moderate inflation. On the other hand, growth in investment reflects a number of projects, both in the private and the public sectors, which are expected to be rolled out in the coming years.

In international trade, we are expecting a rise in exports of 2.8 per cent for 2017. Imports are expected to rise by 4.2 during the same year as we are expecting a significant increase in imports of machinery necessitated by the various projects to be launched in 2017.



Inflation, in terms of the HICP, is expected to stay at a moderate level of 1.5 per cent for next year.

As for employment, we anticipate that job growth will remain strong and will be of 2.7 per cent whilst unemployment is expected to remain at the record low level of 5 per cent.

In 2017, the deficit is expected to fall to 0.5 per cent and the debt burden to 61.9 percent of Gross Domestic Product.

These fiscal estimates further confirm that this Government is determined to completely eliminate the fiscal imbalance so that Malta would start registering a favourable balance. This, with the aim of reducing public debt to less than 60 per cent of the Gross Domestic Product signifying the lowest deficit since the start of the compilation of figures and the lowest national debt burden in the past 18 years.

### **Cost of Living Adjustment**

The Cost Of Living Adjustment (COLA) for next year will be €1.75 per week.

According to the RPI statistics for September, published this morning by the National Statistics Office, which uses a mechanism agreed upon by the social partners, the cost of living index calculated between October 2015 and September 2016 stood at

€1.16 per week, However, for next year Government decided to advance the difference of 59 cents, so that when the cost of living rises by more than €1.75 per week, the pay raise would be adjusted downwards by this amount.

This is not the first time such an arrangement was made. This raise will be given to everyone, including, as per normal practice, pensioners and those in receipt of social benefits. In the case of students, the stipend will once again be adjusted upwards pro rata.

### **Fiscal Measures reflecting the reform in the eco-contribution**

Following last year's announcement on the reform in the eco-contribution, this year I am pleased to announce that the roll-out of this reform would be fully completed by the end of the current year. I am therefore announcing the complete removal of this tax on batteries, mattresses, detergents and toiletries, vehicle filters as well as plastic articles and containers related to kitchen use. Therefore the prices of some of these products are expected to decrease.

As part of its commitment to environmental responsibility, Government felt that although the eco-contribution on products should be removed, there was still the need of a more effective legislative framework regarding toiletries and batteries because of the significant consumption of these items.

Toiletries will be governed by a system of tariffs as of 1st January 2017 so that importers of such products will have enough time to adjust to the new system. This new system would be fairer both from the environmental aspect as well as from a commercial view point as this relatively low tariff would be applicable according to the volume of the product.

As of tomorrow, the tariff on non-biodegradable black garbage bags will go up; a measure intended to encourage people to recycle more household refuse in grey and green bags. Therefore, these bags, as well as bio-degradable black bags will remain completely exempt from customs tariffs.

To further discourage smoking in our country, the price of cigarettes and cigars will go up by an average of 3.76 per cent whilst the price of loose tobacco will go up by 5.5 per cent.

The tariff on non-alcoholic drinks will go up by 2 cents per litre. The rate on bottled water will remain at the current level in order to encourage the consumption of healthier beverages which lead to a better life-style.

Whilst welcoming the regeneration of the construction industry, we believe that measures should be put in place so that this sector will compensate for its impact on the environment. Therefore, this budget will introduce customs duties on certain materials used in the construction industry, particularly in large scale buildings. The

revenue thus generated could be used for environmental projects in the country. As of 1<sup>st</sup> January 2017, concrete beams and steel structures, steel rods and reinforced wire mesh, glass sheeting used for construction and tiles will be subject to customs duty. Apart from this, Government wants to ensure that Maltese construction companies that pay tariffs on cement are not placed at a disadvantage vis-a-vis foreign companies. Therefore, the importation of concrete beams and planks will be taxed at a rate comparable to that imposed on these items when locally produced. The tables annexed to this speech show the adjustments in the customs tariffs regime which will apply to the aforementioned products.

### ***Fiscal measures incentivising economic activity***

#### **Refund of tax on dividends**

As of next year, shareholders in receipt of dividends on profits made after 1st January 2017 by companies listed on the Malta Stock Exchange, will be given refunds on dividends declared in their income tax returns, according to the applicable tax. This measure applies to those owning less than 0.5 percent of the nominal share capital and dividend rights.

Thus, a substantial number of individuals, including the elderly, who invest in the Malta Stock Exchange, will benefit from tax rebates.

## **Concession relative to business transfers**

As of 2017, we shall be giving a 12 month concession whereby the stamp duty of 5 per cent will be reduced to 1.5 per cent, when a parent transfers a business to his or her children. This concession should assist many family businesses to move forward.

## **First-time buyers**

I am pleased to announce that the concession to first-time buyers will once again be extended for a further year. Young couples and individuals who buy their first property, intended for residential use, will continue to be exempt from stamp duty on the first €150,000 of the purchase price in the coming year.

## **Refunds to first-time buyers on renovation costs**

In order to continue decreasing the costs of renovation works in the UCA or other buildings scheduled elsewhere in the First or Second Grade, the Planning Authority will be launching two new schemes through which first-time buyers will benefit up to a maximum of €100,000 on costs incurred.<sup>i</sup>

## **Incentives for the purchase of property in Gozo**

In addition to this, for one year only, we will be launching a new incentive for persons who buy residences in Gozo. Such persons will benefit from a reduction in stamp duty, from 5 per cent to 2 per cent. This applies to those entering into a promise of sale agreement during 2017, registered with the Inland Revenue Department till the 31st December 2017, and where the final contract is concluded during the course of 2018.

## **Inherited property sold by court auction**

At present, property coming through inheritance and sold by court auction, is taxed at a fixed rate of 7 per cent if the property was inherited prior to November 1992. On the other hand, property inherited after this date and sold by court auction, is subject to a provisional tax of 7 per cent on capital gains. In such cases, therefore, a self-assessment form needs to be filled declaring the level of capital gains, and the normal rate of tax is applied.

The need was felt that, in order to bring about more equality among heirs involved in court ordered sales and also to simplify the process of tax collection on this type of transfer of property, all properties emanating from inheritance and transferred by court auction will henceforth be taxed at a final rate of 7 per cent.

## **Purchase of vehicles from persons exempt from registration tax**

The computation of the vehicle registration tax in cases involving the purchase of vehicles by persons who are non tax exempt from disabled persons who are exempt from paying registration tax will be amended. Through new arrangements, the amount due will be fairly spread out to be paid over a period of ten years.

## **Registration of lease contracts**

We have already introduced the choice of a reduced income tax rate of 15 per cent to encourage the declaration of income from the leasing of premises, both residential and commercial. We made it clear from the start that controls needed to be put in place to address tax evasion on income from this source.

For this reason, as of next year, we shall be introducing a system whereby lease agreements for three months or more, including renewal agreements will need to be registered with the Department of Inland Revenue. These contracts can be registered both by the lessor and/or the lessee but failure to do so would lead to the lessor being liable to penalties as stipulated in the Income Tax Act.

**TABLE 1.1**

FISCAL POSITION 2015 - 2019						
	2015 Actual € '000	2016 Revised € '000	2017 Estimates € '000	2018 Estimates € '000	2019 Estimates € '000	
<b>Consolidated Fund</b>						
Tax Revenue	3,195,486	3,360,533	3,542,304	3,756,906	3,915,281	
Non-Tax Revenue	439,312	323,355	345,299	379,861	382,428	
Total Revenue	3,634,798	3,683,888	3,887,603	4,136,767	4,297,709	
Recurrent Expenditure	3,056,833	3,261,361	3,434,868	3,525,674	3,680,077	
Capital Expenditure	578,469	365,073	361,927	431,243	412,532	
Primary Balance	(504)	57,454	90,808	179,850	205,100	
Interest Payments	232,331	224,454	219,108	215,550	213,300	
Recurrent Surplus / (Deficit)	345,634	198,073	233,627	395,543	404,332	
<b>Consolidated Fund (Deficit)</b>	<b>(232,835)</b>	<b>(167,000)</b>	<b>(128,300)</b>	<b>(35,700)</b>	<b>(8,200)</b>	
<b>Financing</b>						
Direct Loan Repayments	(349,377)	(485,399)	(372,926)	(391,694)	(437,227)	
Contributions to Sinking Funds - Local	(3,261)	(3,261)	(3,261)	(1,631)	-	
Contributions to Sinking Funds - Foreign	(6,465)	(6,465)	(1,663)	(57)	(57)	
Contributions to Special MGS Sinking Fund	(25,000)	(50,000)	(50,000)	(50,000)	(50,000)	
Equity Acquisition	(44,071)	(14,584)	(32,600)	(2,600)	(2,600)	
EFSS / ESM Credit Line Facility	0	(4,500)	(4,500)	(4,500)	(4,500)	
Repayment of Loans to Government	40,416	11,984	2	2	2	
Sinking Funds of Converted Loans	-	-	-	90,000	-	
Sale of Shares / Assets	758	1,131	889	889	889	
Public Sector Borrowing Requirement	(387,000)	(551,094)	(464,059)	(359,591)	(493,493)	
Foreign Loans	(619,835)	(718,094)	(592,359)	(395,291)	(501,693)	
Consolidated Fund balance as on 1 January	(23,536)	(170,138)	(288,232)	(280,591)	(175,882)	
Local Loans	473,233	600,000	600,000	500,000	500,000	
Consolidated Fund balance as on 31 December	(170,138)	(288,232)	(280,591)	(175,882)	(177,575)	
<b>Consolidated Fund (Deficit)</b>	<b>(232,835)</b>	<b>(167,000)</b>	<b>(128,300)</b>	<b>(35,700)</b>	<b>(8,200)</b>	
<b>General Government Adjustments</b>	<b>112,566</b>	<b>100,000</b>	<b>76,300</b>	<b>16,700</b>	<b>18,200</b>	
<b>General Government (Deficit) / Surplus</b>	<b>(120,269)</b>	<b>(67,000)</b>	<b>(50,000)</b>	<b>(19,000)</b>	<b>10,000</b>	
<b>Gross Domestic Product</b>	<b>8,788,351</b>	<b>9,293,130</b>	<b>9,835,659</b>	<b>10,337,278</b>	<b>10,854,142</b>	
<b>General Government (Deficit) / Surplus as a % of Gross Domestic Product</b>	<b>-1.4%</b>	<b>-0.7%</b>	<b>-0.5%</b>	<b>-0.2%</b>	<b>0.1%</b>	



**TABLE 1.2**

**STATEMENT OF PUBLIC DEBT**

	€ '000				
	2015	2016	2017	2018	2019
Malta Government Stocks	4,953,923	5,128,888	5,346,141	5,432,232	5,475,563
Treasury Bills	222,050	366,000	358,359	253,650	255,343
Domestic Loans with Commercial Banks	56,379	-	-	-	-
Foreign Loans	29,775	19,366	8,955	1,091	967
EBU's / Local Councils	120,118	121,070	121,070	121,070	121,070
Currency	68,510	77,484	87,257	98,187	110,568
EFSF (Debt Re-Routing)	171,189	171,189	171,189	171,189	171,189
<b>General Government Public Debt</b>	<b>5,621,944</b>	<b>5,883,997</b>	<b>6,092,971</b>	<b>6,077,419</b>	<b>6,134,700</b>
<i>Gross Domestic Product</i>	8,788,351	9,293,130	9,835,659	10,337,278	10,854,142
<b>Debt as a % of Gross Domestic Product</b>	<b>63.97%</b>	<b>63.32%</b>	<b>61.95%</b>	<b>58.79%</b>	<b>56.52%</b>

**TABLE 1.3**

FISCAL POSITION 2015 - 2016					
	2015		2016		
	Actual		Approved		Revised
	€ '000		€ '000		€ '000
<b>Consolidated Fund</b>					
Tax Revenue	3,195,486		3,279,838		3,360,533
Non-Tax Revenue	439,312		333,406		323,355
Total Revenue		3,634,798		3,613,244	3,683,888
Recurrent Expenditure		3,056,833		3,205,598	3,261,361
Capital Expenditure		578,469		376,756	365,073
Primary Balance	(504)		30,890		57,454
Interest Payments		232,331		226,890	224,454
Recurrent Surplus / (Deficit)	345,634		180,756		198,073
<b>Consolidated Fund (Deficit)</b>		<b>(232,835)</b>		<b>(196,000)</b>	<b>(167,000)</b>
<i>Financing</i>					
Direct Loan Repayments	(349,377)		(474,489)		(485,399)
Contributions to Sinking Funds - Local	(3,261)		(3,261)		(3,261)
Contributions to Sinking Funds - Foreign	(6,465)		(6,465)		(6,465)
Contribution to Special MGS Sinking Fund	(25,000)		(50,000)		(50,000)
Equity Acquisition	(44,071)		(14,584)		(14,584)
EFSF / ESM Credit Line Facility	0		(4,500)		(4,500)
Repayment of Loans to Government	40,416		11,986		11,984
Sinking Funds of Converted Loans	-		-		-
Sale of Shares / Assets	758		889		1,131
		(387,000)		(540,424)	(551,094)
Public Sector Borrowing Requirement		(619,835)		(736,424)	(718,094)
Foreign Loans		-		-	-
Consolidated Fund balance as on 1 January	(23,536)		(97,886)		(170,138)
Local Loans	473,233		600,000		600,000
		449,697		502,114	429,862
Consolidated Fund balance as on 31 December		(170,138)		(234,310)	(288,232)
<b>Consolidated Fund (Deficit)</b>		<b>(232,835)</b>		<b>(196,000)</b>	<b>(167,000)</b>
<b>General Government Adjustments</b>		<b>112,566</b>		<b>94,000</b>	<b>100,000</b>
<b>General Government (Deficit)</b>		<b>(120,269)</b>		<b>(102,000)</b>	<b>(67,000)</b>
<b>Gross Domestic Product</b>	<b>8,788,351</b>		<b>8,983,420</b>		<b>9,293,130</b>
<b>General Government (Deficit) as a % of Gross Domestic Product</b>		<b>-1.4%</b>		<b>-1.1%</b>	<b>-0.7%</b>

**TABLE 1.4 Changes in Excise Duty rates**

<b>CHAPTER 382, Third Schedule – Manufactured Tobacco</b>		
<b><u>Product</u></b>	<b><u>Current Rates</u></b>	<b><u>New Rates</u></b>
<b>Cigarettes</b>	<i>25.0% of the retail price, as well as €100 per 1000 cigarettes but not less than €160 per 1000 cigarettes</i>	<p>23.4% of the retail price as well as €107 per 1000 cigarettes but not less than €165 per 1000 cigarettes</p> <p><b><i>The excise duty on cigarettes is being increased by 3.76%</i></b></p> <p>With effect from 17<sup>th</sup> October 2016</p>
<b>Cigars and Cigarillos</b>	€24.33 per 1000 cigars/ cigarillos	<p>€25.24 per 1000 cigars/ cigarillos</p> <p><b><i>The excise duty on cigars and cigarillos is being increased by 3.76%</i></b></p> <p>With effect from 17<sup>th</sup> October 2016</p>
<b>Hand-Rolling Tobacco</b>	€115.64 per kilogramme	<p>€122 per kilogramme</p> <p><b><i>Hand-rolling</i></b></p>

		<p><b><i>tobacco is going up by 5.5%</i></b></p> <p>With effect from 17<sup>th</sup> October 2016</p>
<p><b>Other Smoking Tobacco</b></p>	<p>€115.64 per kilogramme</p>	<p>€122 per kilogramme</p> <p><b><i>This tobacco is going up by an average of 5.5%.</i></b></p> <p>With effect from 17<sup>th</sup> October 2016</p>
<p><b>Pipe Tobacco and Shisha</b></p>	<p>€34.49 per kilogramme</p>	<p>€36.40 per kilogramm</p> <p><b><i>This tobacco is going up by an average of 5.5%.</i></b></p> <p>With effect from 17<sup>th</sup> October 2016</p>

## CHAPTER 382, Schedule Five E – Non-alcoholic Beverages

<p style="text-align: center;"><b>Non-alcoholic beverages falling under CN Heading 2202, excepting those falling under CN Codes 2202 90 91, 2202 90 95 and 2202 90 99</b></p>	<p style="text-align: center;">€20 per 1000 litres</p>	<p style="text-align: center;">€40 per 1000 litres</p> <p style="text-align: center;"><i>Non-alcoholic beverages are going up by two cents per litre.</i></p> <p style="text-align: center;"><i>The rate of excise duty on water remains unchanged.</i></p> <p style="text-align: center;">With effect from 17<sup>th</sup> October 2016</p>
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## CHAPTER 382, Schedule Five F – Plastic Sacks and Bags

<p><b>Plastic bags falling under HS Codes 3923 21 and 3923 29 specifically purchased for the collection of non-recycled waste.</b></p>	<p>€250 per 100 kilogrammes up to a maximum of €170 per 10,000 bags</p>	<p>€425 per 100 kilogrammes up to a maximum of €305 per 10,000 bags.</p> <p><i>Only the price of the black bag normally used for non recycled waste is being increased by 0.012 cents per bag.</i></p> <p><i>The rate for all other plastics bags will remain unchanged. Bio-degradable plastic bags will remain zero rated.</i></p> <p><i>The grey and green bags, as in the case of bio-degradable bags, will remain untaxed.</i></p> <p>With effect from 17<sup>th</sup> October 2016</p>
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**CHAPTER 382, Schedule Five G – Toiletries and beauty products**  
**(new schedule)**

<p><b>Perfume and toilet waters falling under CN Heading 3303</b></p>	<p><i>These products were formerly subject to the eco-contribution.</i></p>	<p>€220 per 100 litres</p> <p><b>(excise duty of two euros and twenty cents per litre)</b></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Make-up, skin care products and other beauty products falling under CN Heading 3304</b></p>	<p><i>These products were formerly subject to the eco-contribution.</i></p>	<p>€50 per 100 liters / kilogrammes</p> <p><b>(excise duty of one euro per litre or kilogramme)</b></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Hair products falling under CN Heading 3305, except for shampoo falling</b></p>	<p><i>These products were formerly subject to the eco-contribution.</i></p>	<p>€50 per 100 liters / kilogrammes</p>

<p><b>under HS Code 3305 10 00</b></p>		<p><b><i>(excise duty of fifty cents per litre or kilogramme)</i></b></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Shampoo falling under HS Code 3305 10 00</b></p>	<p><i>These products were formerly subject to the eco-contribution.</i></p>	<p>€3 kull per 100 litres</p> <p><b><i>(excise duty of three cents per litre or kilogramme)</i></b></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Personal hygiene products, deodorants and similar products falling under CN Heading 3307, except those falling under HS Codes 3307 10 00 and 33017 41 00</b></p>	<p><i>These products were formerly subject to the eco-contribution.</i></p>	<p>€3 per 100 litres/ kilogrammes</p> <p><b><i>(excise duty of three cents per litre or kilogramme)</i></b></p> <p>With effect from 1<sup>st</sup> January 2017</p>



<p><b>Aftershave, room-deodorisers and similar products falling under HS Code 3307 10 00 and HS Code 3307 41 00</b></p>	<p><i>These products were formerly subject to the eco-contribution.</i></p>	<p>€50 per 100 litres / kilogrammes</p> <p><b>(excise duty of fifty cents per litre or kilogramme)</b></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Soap products and shower gels falling under CN Heading 3401</b></p>	<p><i>These products were formerly subject to the eco-contribution.</i></p>	<p>€3 per 100 litres/ kilogrammes</p> <p><b>(excise duty of three cents per litre or kilogramme)</b></p> <p>With effect from 1<sup>st</sup> January 2017</p>

**CHAPTER 382, Schedule Five H –  
Construction Components and related  
products  
(new schedule)**

<p><b>Prefabricated concrete structures falling under HS Code 6810 91 00, excepting those whose manufacture entails the use of cement and steel already taxed under this Act</b></p>	<p style="text-align: center;">None</p>	<p>Excise duty of €25.60 per 1000 kilogrammes</p> <p><i>To eliminate double taxation, concrete structures the manufacture of which entails the use of cement and steel rods on which excise duty is already paid, are exempt.</i></p> <p>With effect from 1<sup>st</sup> January 2017</p>
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<p><b>Ceramic tiles falling under CN Heading 6907 and CN Heading 6908</b></p>	<p>None</p>	<p>€7.50 per 1000 kilogrammes</p> <p><i>(excise duty of 0.0075 cents per kilogramme)</i></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Sheet glass falling under CN Heading 7005</b></p>	<p>None</p>	<p>€16 per 1000 kilogrammes</p> <p><i>(excise duty of 0.016 cents per kilogramme)</i></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Steel rods falling under CN Heading 7213, except those falling under HS Code 7213 10 00, 7213 91 10, 7213 91 49 but including those falling under CN Heading 7214 except 7214 20 00</b></p>	<p>None</p>	<p>€30 per 1000 kilogrammes</p> <p><i>(excise duty of 3 cents per kilogramme)</i></p> <p>With effect from 1<sup>st</sup> January 2017</p>

<p><b>Steel rods as specifically defined by HS Code 7213 10 00</b></p>	<p>None</p>	<p>€5 per 1000 kilogrammes</p> <p><i>(excise duty of 0.005 cents per kilogramme)</i></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Steel rods falling under HS Codes 7213 91 10, 7213 91 49, 7214 20 00</b></p>	<p>None</p>	<p><b>€15 per 1000 kilogrammes</b></p> <p><i>(excise duty of 0.015 cents per kilogramme)</i></p> <p>With effect from 1<sup>st</sup> January 2017</p>
<p><b>Steel beams falling under CN Heading 7216</b></p>	<p>None</p>	<p><b>€50 per 1000 kilogrammes</b></p> <p><i>(excise duty of five cents per kilogramme)</i></p> <p>With effect from 1<sup>st</sup> January 2017</p>

<p><b>Steel grid falling under HS Codes 7314 20 10, 7314 20 90 and 7314 39 00</b></p>	<p>None</p>	<p>€30 per 1000 kilogrammes</p> <p><i>(excise duty of three cents per kilogramme)</i></p> <p>With effect from 1<sup>st</sup> January 2017</p>
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<sup>i</sup> For these schemes there is an allocation of €8 million stemming from the regularisation scheme of the Planning Authority. Details about the operation of these two schemes will be announced by the Authority itself.

## **PROSPERITY THAT REACHES EVERYONE**

Mr Speaker, the budgets presented by this Government clearly show that Government is following a comprehensive plan with the final goal of creating wealth that is felt by all. The first crucial step was to stabilize the economy at all costs, including endorsing the budget presented by the preceding administration. The second step was to invest all resources on the generation of wealth through job creation. The third step, the theme of today's budget, is to make sure that the wealth created reaches everyone whilst continuing on strengthening the economy.

While many are talking about poverty and the risk of poverty, through its plan this Government is implementing a number of measures which will ultimately result in thousands of families getting out of poverty or out of the risk of poverty.

For this Government, poverty is not a perception but a reality against which we are taking action.

Mr Speaker, I can say this because the principal causes leading families to fall into poverty are known to this Government. These are unemployment, low paid work - mainly for those who our education system has failed to adequately train, old age - particularly in households that depend on a single pension, and finally, those families with health and other issues which force them to depend on the state for their living. All these are being addressed.

## **Wealth creation through employment**

In the first nine months of this legislature that is, in 2013, Government succeeding in halting the increase in the number of families at risk of poverty or social exclusion. In the following year, Government managed to reduce the number of persons at risk of poverty or social exclusion by 5,000. This was the first reduction in ten years. This was reported not by Government but by Eurostat.

All this was achieved with job creation. The number of reforms presented through the budgetary measures succeeded in reducing unemployment, encouraging more persons particularly women to enter into employment, and other persons to choose work instead of dependence on social security benefits. All these persons are families which benefited from new sources of income and earned the respect acquired by families who are financially independent.

When we started the tapering scheme, there were 1,322 persons on social assistance, with a substantial part being single parents, who found employment. While another 2,050 persons who were receiving unemployment assistance for more than two years, found employment. A total of 3,450 persons.

## **Assistance to low income earners**

In the last two budgets we introduced the In-Work Benefit, which while supplementing low income earners, served as an incentive for heads of families with children to go out to work and still benefit from a subsidy of €1,000 for each child. This year the scheme is being extended to include couples with children where only one member is gainfully employed.

In this budget, we will be strengthening and improving the benefits applicable under both schemes.

Firstly, we shall be raising the ceilings of both schemes.<sup>i</sup> In addition we shall be raising the rate of the In-Work Benefit for each child under 23 years of age.

For couples who both work, this will mean an increase of €200 a year according to their income so that the benefit will now go up from €1,000 to €1,200 for each child.

For single parents who are gainfully occupied, the rate is being raised by €50 per annum to €1,250, whilst for couples where only one person works, the rate will go up by a minimum of €150 to a maximum of €350 per annum, according to their income. Thus we would be covering 3,000 low to medium income families who will see an improvement in their purchasing power.



More details are shown in the note at the end of the chapter (Table 2.1).

## **Raising Supplementary Assistance**

In the course of the coming year we shall be implementing an important reform in the Supplementary Assistance paid to married low income earners, including those on the minimum wage, who do not have children under the age of 16 and therefore do not benefit from the Children's Allowance.

This reform entails raising the current ceiling for Supplementary Assistance for married couples from €11,089 to €13,000. But not just married couples who will benefit from this reform. Single persons living on their own, who work, and have a net income of less than €9,012, as well as other single persons who work and earn the Minimum Wage and whose net income does not exceed €9,012 will be receiving an annual rise of €126.36.

This reform will benefit around 11,000 couples and 5,000 single persons, who are employed - a total of 27,000 persons.

The measures I have just announced, that is, the In-Work Benefit and the Supplementary Assistance, together with the Cost of Living Adjustment, will improve considerably the income of Maltese and Gozitan families. The highest rises will go to families that are employed but have a low to medium income. At the same

time we want to strengthen the notion that a parent is better off in employment.

Through these reforms, and taking into consideration the COLA, all those on the Minimum Wage will be getting a rise of at least €4 per week or €208 per year. This increase will be borne completely by Government.

The table at the end of the chapter gives the full picture of the effects of the measures announced that favour the family. (Table 2.2).

### ***Assisting Pensioners***

#### **Minimum Pensions for Married Couples**

Mr Speaker, in this budget we shall be raising pensions again for the second consecutive year. This follows a 25 year period where pensions had remained at the same level.

In the last budget, we raised the minimum pension to €140 per week for thousands of pensioners. In doing this, Government succeeded in doing what previous administrations had not managed to do for years on end. We raised the minimum pension for married couples living on one pension by €4.15 per week.

We feel that this year we should continue bettering the lives of pensioners and elderly married couples who only have a minimum pension. Therefore, as of January of next year, we shall be giving another rise of €4 per week (equivalent to €208 per year). This rise will be given pro rata to those whose pension is slightly higher than the Minimum Pension.

The increase in pension will also be paid to married pensioners who receive the Old Age Pension. This measure will benefit 2,500 married pensioners.

### **Tax-Free Pensions**

This budget will be introducing another far-reaching reform whereby pensioners aged over 61 will no longer pay tax on the pension or pensions they might have from different sources such as social security pensions, treasury pensions as well as other local or foreign pensions, up to a maximum of €13,000. This reform will be spread over a period of two years. At the end of the two years a pensioner would have benefited from tax cuts up to a maximum of €585 per annum. <sup>ii</sup>

Mr Speaker, this is a measure that is expected to benefit no less than 22,000 pensioners. Moreover, this also means that more than 9,000 pensioners would no longer be subject to income tax.

In order to retain the fiscal equity that exists between single and married computations, in the case of married pensioners, apart from the total removal of income tax on pensions up to €13,000, another tax-free amount will come into effect with respect to income from any source up to a maximum of €1,000.

This measure will come into effect over the coming two years.

Persons on a single rate will be benefiting from a tax-free pension income up to €10,500 in 2017, going up to €13,000 in 2018. Persons on the married rate will benefit from the full tax-free amount for pension that is up to €13,000 as of 2017. The other tax-free income for married pensioners will be spread out to cover €500 in 2017 going up to €1,000 in 2018.

Pensioners qualifying for the parent rates will also benefit from this measure since in 2017 a tax-free pension income on the first €11,500 will apply for each parent. In 2018, this amount will go up to cover the first €13,000. (Table 2.3)

### **Supplementary Assistance for the Elderly**

The supplementary assistance for minimum wage earners which I have previously announced will also be given to low income pensioners. Through this reform, we would be significantly augmenting the income of around 9,500 married pensioners living on just one pension. This measure will also benefit those married

pensioners who would not be benefiting from tax-free pension income. Vide Table 2.4 for more details.

### **€300 annual grant**

Once again, the €300 annual grant will be given to persons over 75 (seventy five) years of age still residing in their own homes.

### **Bonus for persons who paid National Insurance contributions but do not have a pension**

For the first time in the budget for 2014, we had introduced a bonus that was paid every year to persons, mostly married women, who had paid national insurance contributions at some point in their life but not enough contributions for them to qualify for a pension. As of 1st January 2017, we will be raising this bonus by another €50 per year. Thus, the bonus payable to those who reach retirement age but are less than 75 years old and who have paid more than one year but less than five years of contributions, will go up from €100 to €150, whilst the bonus for those with more than 5 years' worth of contributions will go up from €200 to €250 per annum. This measure will benefit around 12,500 persons.

## **Service Pensioners**

As of next year we shall once again add another €200 to the amount of Service pension which is deducted from the social security pension. This measure will affect around 5,000 Service pensioners.

## **Elimination of gender based discrimination**

During this year, Cabinet and later Parliament approved amendments to the Social Security Act, removing any form of discrimination on the basis of gender which had been around for many years.

Through these amendments, all differences in fixed or minimum rates payable to males and females would be eliminated. We are revising the pensions payable to females to remove any discrimination. Women will benefit from an increase in their pension which can go up to a maximum of €20 per week.

## **Reform of the Carers' Pension and the Carers' Allowance**

This Government will continue encouraging the elderly to live in their own homes and in their communities. This creates a greater sense of dignity for such persons. With pleasure, I can announce today that the reform in the Carers' Pension and the Carers' Allowance will be implemented in the course of the coming year. With this reform, the benefit will be raised substantially while the

Carers' Pension would be payable without the need of means testing. The benefit will be of €140 per week, which signifies an increase of €35 per week or an increase of €1,820 per year over the current amount of the Carers' Pension.

As of 2017, the current Carers' Pension which is only payable after means-testing the carers' income and in cases where the patient is wheelchair bound or bedridden, will be termed an Increased Carers' Allowance and will be payable to those carers, including spouses, under some conditions, who would be giving care in their residence to a person with a high level of dependence.

On the other hand, the Carers' Allowance will be paid to carers who take care of persons with medium level of dependence in their own residence. The rate of Carers' Allowance would be of €90 per week which means an increase of €14 per week or €728 per year over the current rate. In these cases, the eligibility to benefit would still be subject to a test of the carer's means.

The assessment of the degree of dependence will be carried out by professionals who will make use of the Barthel Index and the Mini-Mental Score. In this manner, we would be doing justice with persons who choose the difficult vocation of caring for relatives needing constant support whilst assisting the elderly, in particular, to continue to reside in their communities, in the loving care of their relatives.

## **COLA for pensioners**

As already mentioned in the beginning of this speech, all pensions will increase by the full amount of the cost of living adjustment. As in previous years, part of the increase will be paid out as part of the pension whilst the remaining balance would be paid out as part of the cost of living bonus. Social assistance allowances will increase by two thirds of the cost of living adjustment as in previous years.

The tables at the end of this chapter show the full effect of the €4 per week rise, the Supplementary Allowance and the COLA for pensioners. (Table 2.4)

## **Reform of the Disability Pension**

Beyond doubt, persons with disability are the focal point of this Government's social policy. In our Electoral Programme, we promised to enhance benefits paid out to persons with disability. In 2014, we increased the Disabled Children's Allowance. In 2015, we introduced the measure where all other income from employment was being ignored for the purpose of calculating the Disability Pension.

It is now time to take a further step and think of those who, because of their disability, will never be in a position to be gainfully occupied and have a chance of supplementing their pension with income from employment. For this reason, as of next year we



shall be implementing a reform which will put in place three tiers of payment according to the degree of disability.

The first tier will include disabled persons who, according to the Barthel Index, cannot possibly participate in gainful occupation. Such persons will be receiving the highest level of allowance. This will be raised gradually so that eventually it becomes equivalent to the net amount received by a person on the Minimum Wage.

The second tier will be the same as that applicable today and will include all those persons whose disability falls within the parameters of the Social Security Act and who are working or are able to work. In this case, Government intends to carry on with the reform which has facilitated the gainful employment of hundreds of disabled persons for the first time.

The third tier will gradually take up a number of disabilities which to date are not covered by law and persons who to date receive no benefits. This will mean the fulfilment of another electoral pledge which concerns persons under 60 who, although missing one arm or one leg, to date do not qualify as persons with disability for the purpose of the Disability Pension.

In addition, for persons receiving the Disability Pension in the first tier mentioned above, income arising from some other benefit or pension, even from foreign sources, will no longer be considered in the assessment of eligibility for the Pink Card. And for persons

within the second tier, income from employment will no longer be considered in the assessment for Pink Card eligibility. We feel that with this measure, we are being more just with disabled persons since many of them require medical attention.

Another measure, which will be implemented, will make it possible for recipients of the Disability Pension and who are entitled to free medication to have a Pink Card that is valid for one year rather than for three months as is the practice today. This would relieve much hardship and inconvenience faced currently by these persons or their relatives.

### **Revision of Rent Subsidy**

The robust economic growth our country has experienced in the past few years has led to a strong demand for property and this in turn has impacted real estate prices and rents. Government will be taking concrete steps to assist vulnerable families who are most hard hit by these market dynamics. Therefore for the coming year, Government will be doubling the subsidy currently given to around 1,400 families.

This subsidy currently varies between €66.67 to €83.33 monthly according to family size and income. This will be doubled, meaning it will rise between €133.34 and €166.66. We shall also be extending the criteria under which families qualify for this

subsidy and the goal is to double the number of families benefiting from this scheme from 1,400 to 2,800.

To qualify for the increase in rent subsidy, tenants need to show their rent contract. Tenants, who are registered in the present rent subsidy scheme and fail to present their rent contract, will not benefit from the increase in the rent subsidy.

### **Revision of minimum rent on Government rented housing**

As a result of the amendments to the Civil Code regarding the lease of property, introduced by Government before 2009, the minimum amount of rent for residential property was extended to apply not only to residential property leased out by private owners but also to those residencies rented from the Government/Housing Authority.

Over the years, this part of the law was automatically applied across the board and thus rent for residencies leased from Government was adjusted according to the minimum rent established by law in 2010, 2013 and 2016 respectively. Government took action to correct this.

As of next year, this part of the Civil Code will no longer apply, and therefore the increase in rent upon renewal will no longer apply to leases of residential property from Government/Housing Authority.

Moreover the excess rent paid on such residences since 2013 will be refunded.<sup>iii</sup>

### **Preferential rates on certain leases**

In order to ensure that low income families have more peace of mind with regards to the residential property they rent, Government will be launching a pilot project of 100 cases. Those property owners leasing residential premises to low income families and who offer longer term contracts of seven years will be taxed at the preferential rate of 5 per cent on the income from such leases. This does not apply in the case of Special Designated Areas. In the course of the coming weeks, we shall be announcing the criteria governing the application of this provision.

### **Setting up of a fund to address past grievances**

Government is aware that changes affecting the pensions system from time to time may have brought about certain anomalies which were perceived as grievous injustices by those who were affected and who therefore, were unable to find that peace of mind that was critical in that period of their life, their old age. We are referring to former Labour Corps employees in the 1970s, former employees of the Malta Electricity Board, the overtime payments due to members of the Police Force, former port workers and others.

We have always maintained that for the state to make good on these complaints, it would need to allocate hundreds of millions of euro. On the other hand, these grievances and complaints cannot be ignored. Previous administrations, for reasons known only to them, never acknowledged these grievances. We will however, as pledged, address these complaints over the course of a number of years.

We had already taken the first step when we recently paid out all amounts due to former Sea Malta employees.

It is my pleasure to announce that in this budget we will be taking an important step with the allocation of €8 million for the setting up of a fund from which we will be making the initial payments to persons from among those I mentioned earlier.

Our intention is to set up a board to manage this fund and, following consultations, develop a mechanism and put in place the right procedures to ensure that these grievances are properly addressed and the relative sums are paid out in a transparent and accountable manner over a number of years.

Hopefully this will heal a wound that has festered for years.

## **Subsidy for Care Worker home service for the elderly**

Government is continually striving to enhance services in the community, making it possible for the elderly to continue to reside in their own homes, close to their loved ones. For this year, Government will be allocating another sum for the extension of the Carer at Home project. Through this scheme, elderly persons on the waiting list for admittance to any one of the homes for the elderly, will have the possibility of engaging a care worker of their choice, to care for them on a full-time or part-time basis and receive proportionate financial assistance, up to a maximum of €5,200 per annum.

## **Government Savings Bonds for Pensioners**

In the last few years, the interest rate on fixed bank accounts declined substantially. For pensioners, this is resulting in a significant reduction in additional income earned from interest. In this light, in order to enhance these pensioners' income, we will be amending the law governing Malta's Treasury Bills to be able to include bonds having attractive rates specifically tailored for pensioners. This will enable pensioners to invest in Government bonds with interest rates that are higher than those offered by the private sector.

## **Revision of the means test**

As pledged in our electoral programme, we shall be gradually revising the capital limits beneath which persons with a low income or at the risk of poverty could qualify for non-contributory benefits. The intention is to make the thresholds more realistic. Thus persons in need could be assisted and brought out of the risk of poverty.

At the same time we need to keep a balance between the assistance we are duty bound to give to those who really need it, and this government's policy of reducing dependence on social benefits, a policy which has been very successful over the past three years.

Therefore, as part of the intended reform in the means testing mechanism we shall be creating a single threshold for all non-contributory assistance, including the Pink Card. This single threshold will be of €23,000 for married couples and €14,000 for single persons. This means that the capital limit to qualify for the Pink Card will go up by €7,000 for couples and by €4,700 for single persons.

This reform is expected to benefit around 1,000 persons, mostly elderly people and pensioners who will now qualify for the Pink Card entitling them to free medicine.

## **Conclusion**

Mr Speaker, these measures are all aimed at boosting the income of thousands of families, whatever the circumstances that may have led them to having a low income. This Government is making sure that these families will never be forgotten and that the wealth created would reach everyone. I conclude with this Government's pledge, that within three years no child coming from a working family would live in poverty.



**Table 2.1: In-Work Benefit - Current rates and proposed increases according to different income categories**

<b>Income Category</b>	<b>Current Rates</b>	<b>New Rates</b>
<b>Single Parent</b>	<b>Working</b>	<b>Rates</b>
€6,600 - €14,999	Maximum of €1,200	Rates increase by €50
€15,000 - €16,500	€0	Rates increase by €50
<b>Two Parents</b>	<b>Both working</b>	<b>Rates</b>
€10,000 - €20,399	Maximum of €1,000	Rates increase by €200
€20,400 - €24,000	€0	Rates vary between €170 and €100
<b>Two Parents</b>	<b>Only one working</b>	<b>Rates</b>
€6,600 – €9,499	Maximum of €150	Rates go up to €350
€9,500 – €11,999	Maximum of €150	Rates go up to €300
€12,000 - €12,699	Maximum of €150	Rates go up to €250
€12,700 - €12,999	€0	Rates go up to €250
€13,000 - €13,999	€0	Rates go up to €150
€14,000 - €14,999	€0	Rates go up to €100
€15,000 - €16,500	€0	Rates go up to €52

**Table 2.2: Net weekly increase for different categories of families**

<b>Couples with one parent working</b>	<b>On one Minimum Wage or equivalent</b>	<b>Others with annual average basic and net income between €8,500 and €13,900</b>	<b>Others with annual average basic and net income between €13,901 and €16.500</b>
	<b>Net increase per week*, €</b>		
Without children	4.38	3.50	1.75
One (1) child under 16 years	5.38	4.58	3.10
Two (2) children under 16 years	9.22	7.59	4.40
Three(3) children under 16 years	13.07	10.61	6.00
<b>* Couples with no children under 16 years but with children between 16 and 23 years will also benefit from increases through the reform in Supplementary Assistance</b>			
<b>Single Parent, working</b>	<b>On one Minimum Wage or equivalent</b>	<b>Others with annual average basic and net income between €8,500 and €16,500</b>	
	<b>Net increase per week, €</b>		
One (1) child under 16 years	4.08	2.67	
Two (2) children under 16 years	5.04	3.63	
Three(3) children under 16 years	6.00	4.59	
<b>Couples, both working</b>	<b>On two Minimum Wages or their equivalent</b>	<b>Others with annual average basic and net income between €16,920 and €26,850</b>	
	<b>Net increase per week, €</b>		
One (1) child under 16 years	7.01	5.20	
Two (2) children under 16 years	10.85	7.26	
Three(3) children under 16 years	14.70	8.99	

<b>Single Persons who work on Minimum Wage</b>	<b>Net increase per week €</b>
With annual average basic and net income not exceeding €9,012	4.00

**Table 2.3: Scenarios of pensioners' income according to tax computations**

<b>Pensioner with income of €19,200 on single rates</b>				
<b>2017: Non taxable income from pension rises to €10,500</b>				
	<b>Income</b>	<b>Current Tax</b>	<b>Tax in 2017</b>	<b>Tax Savings</b>
DSS Pension	€11,000	€285	€75	€210
Treasury Pension	€3,000	€450	€450	€0
Foreign Pension	€2,000	€450	€450	€0
Other income	€3,200	€800	€800	€0
<b>Total</b>	<b>€19,200</b>	<b>€1,985</b>	<b>€1,775</b>	<b>€210</b>
<b>2018: Non taxable income from pension rises to €13,000</b>				
	<b>Income</b>	<b>Current Tax</b>	<b>Tax in 2017</b>	<b>Tax Savings</b>
DSS Pension	€11,000	€285	€0	€285
Treasury Pension	€3,000	€450	€150	€300
Foreign Pension	€2,000	€450	€450	€0
Other income	€3,200	€800	€800	€0
<b>Total</b>	<b>€19,200</b>	<b>€1,985</b>	<b>€1,400</b>	<b>€585</b>

<b>Pensioner with income of €21,500 on married rates</b>				
<b>2017: Non taxable income from pension rises to €13,000</b>				
	<b>Income</b>	<b>Current Tax</b>	<b>Tax in 2017</b>	<b>Tax Savings</b>
DSS Pensions	€11,000	€0	€0	€0
Treasury Pensions	€3,000	€195	€150	€45
Foreign Pensions	€2,000	€300	€300	€0
Other income	€5,500	€855	€855	€0
<b>Subtotal</b>	<b>€21,500</b>	<b>€1,350</b>	<b>€1,305</b>	<b>€45</b>
€500 of additional tax-free income from any other source (€500*0.15 = €75)	-	-	-€75	€75
<b>Total</b>	<b>€21,500</b>	<b>€1,350</b>	<b>€1,230</b>	<b>€120</b>
<b>2018: Non taxable income from pension rises to €13,000</b>				
	<b>Income</b>	<b>Current Tax</b>	<b>Tax in 2017</b>	<b>Tax Savings</b>
DSS Pensions	€11,000	€0	€0	€0
Treasury Pensions	€3,000	€195	€150	€45
Foreign Pensions	€2,000	€300	€300	€0
Other income	€5,500	€855	€855	€0
<b>Subtotal</b>	<b>€21,500</b>	<b>€1,350</b>	<b>€1,305</b>	<b>€45</b>
€500 of additional tax-free income from any other source (€500*0.15 = €75)	-	-	-€150	€150
<b>Total</b>	<b>€21,500</b>	<b>€1,350</b>	<b>€1,155</b>	<b>€195</b>

<b>Pensioner with income of €16,000 on single rates</b>				
<b>2017: Non taxable income from pension rises to €10,500</b>				
	<b>Income</b>	<b>Current Tax</b>	<b>Tax in 2017</b>	<b>Tax Savings</b>
DSS Pension	€13,000	€585	€375	€210
Treasury Pension	€3,000	€600	€600	€0
<b>Total</b>	<b>€16,000</b>	<b>€1,185</b>	<b>€975</b>	<b>€210</b>
<b>2018: Non taxable income from pension rises to €13,000</b>				
	<b>Income</b>	<b>Current Tax</b>	<b>Tax in 2017</b>	<b>Tax Savings</b>
DSS Pension	€13,000	€585	€0	€585
Treasury Pension	€3,000	€600	€600	€0
<b>Total</b>	<b>€16,000</b>	<b>€1,185</b>	<b>€600</b>	<b>€585</b>

<b>Pensioner with income of €18,000 on married rates</b>				
<b>2017: Non taxable income from pension rises to €13,000</b>				
	<b>Income</b>	<b>Current Tax</b>	<b>Tax in 2017</b>	<b>Tax Savings</b>
DSS Pensions	€16,000	€495	€450	€45
Other income	€2,000	€300	€300	€0
<b>Subtotal</b>	<b>€18,000</b>	<b>€795</b>	<b>€750</b>	<b>€45</b>
€500 of additional tax-free income from any other source (€500*0.15 = €75	-	-	-€75	€75
<b>Total</b>	<b>€18,000</b>	<b>€795</b>	<b>€675</b>	<b>€120</b>
<b>2018: Non taxable income from pension rises to €13,000</b>				
	<b>Income</b>	<b>Current Tax</b>	<b>Tax in 2017</b>	<b>Tax Savings</b>
DSS Pensions	€16,000	€495	€450	€45
Other income	€2,000	€300	€300	€0
<b>Subtotal</b>	<b>€18,000</b>	<b>€795</b>	<b>€750</b>	<b>€45</b>
€500 of additional tax-free income from any other source (€500*0.15 = €75	-	-	-€150	€150
<b>Total</b>	<b>€18,000</b>	<b>€795</b>	<b>€600</b>	<b>€195</b>

**Table 2.4: Weekly increase for categories of pensioners**

<b>Married Pensioners</b>	<b>Weekly increase €</b>
Old Age Pension (married)	9.62
Minimum National Retirement Pension ( married rate) or comparable pension rate	Up to 9.62
Total income (including contributory pension and bonuses) from €148 to €164 per week	Up to 5.90
Total income (including contributory pension and bonuses) from €165 to €184 per week	Up to 5.44
Total income (including contributory pension) from €185 to €214 per week	Up to 5.20
Total income (including contributory pension) from €215 to €250 per week	Up to 4.25



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<sup>i</sup> For couples who both work, the ceiling is being raised from €20,400 to €24,000 per annum. For single parents in employment, the ceiling will increase from €15,000 to €16,500 per annum; whilst for couples where only one person works the ceiling is being raised from €13,000 to €16,500 per annum.

<sup>ii</sup> Since we wanted the maximum financial gain to be the same for every level of individual income, the existing tax brackets and their rates would apply respectively for income in excess of €13,000. This income would be taxed at the rate of 15, 25 or 35 per cent respectively.

<sup>iii</sup> This provision applies specifically and solely to those residential premises, which are property of the Government or the Housing Authority and which were subjected to an increase in rent since according to Section 1531c of the Civil Code **the rent was less than the established minimum**. Therefore, this does not apply to cases where the increases in rent resulted for instance from a revision of rent emanating from the lease contract itself, which cases are not covered by this provision.

## **INVESTING IN EDUCATION AND TRAINING**

Mr Speaker, this Government considers education and training not only as the principal foundation on which the economic development of the country relies, but also as a means of reaching out equitably towards more children and young people, providing them with the necessary skills to find jobs that would assist them and their families to rise out of poverty.

### **Fair and quality tuition**

We shall continue our work in favour of literacy through the enhancement of services offered by public libraries and the National Literacy Agency. At the same time two new centres will be opened offering a Programme for Literacy in the Family (NWAR).

We shall strengthen the scholastic year course, as well as the intensive summer course in spoken Maltese and English for foreign students who cannot communicate either in Maltese or in English. We shall open another National Curriculum Centre in Gozo.

## **Overcoming illiteracy through sport**

In 2017, we shall launch a new programme that has been specially devised to overcome illiteracy in our schools through sport. The aim of this project is to use football as a means of helping these children by teaching them to read and enjoy reading.

This programme will start during the coming year in four schools, each one in a different region, that is, Cospicua, Birkirkara, St Paul's Bay and in Rabat, Gozo.

## **Building of schools and educational centres**

This Government will not build one school in the coming year, as the previous administration claimed it did, but will build three schools in the same way that was done in the last two years. We shall be building three new primary schools in St Paul's Bay, Marsascala and Rabat, Gozo.

Furthermore, we shall open a new childcare centre in St Julian's Primary School and we shall extend the Rabat Gozo Primary so that the school will operate from a single building.

We shall build a new assembly hall in St Lucia Secondary School and upgrade educational facilities at the Guardian Angel School in Ħamrun as well as provide new educational facilities for the San Miguel Resource Centre.

## Stipends

We shall continue to honour our commitment to improve stipends for students in post-secondary, higher and tertiary institutions.

For another year we shall increase stipends *pro rata* in line with the cost of living adjustment.

We shall revise the thresholds of student income with respect to their eligibility for supplementary assistance.

Students with disabilities as well as students residing in Church homes and conservatories, among others, will henceforth be automatically eligible for maintenance grants, including the supplementary assistance.

Students who undertake an additional year in their course will start to receive a stipend for the additional year and hence, will be regarded as students who repeat a year in their course.

As of next year, full-time students under the age of 24 and who are engaged in economic activity as self-employed persons will be able to pay *pro rata* national insurance contributions at the rate of 15 per cent on their net income from any such activity.

As from this scholastic year, students who turn sixteen and continue their studies or training at the Alternative Learning Programme in Paola at Level 3 of the Malta Qualifications Framework in hospitality and customer care as well as in welding and fabrication will also become eligible for the award of stipends.

Students who decide to enrol in courses that lead to relatively lower qualifications than other courses will still receive their stipends.

### **Technology in education**

This year will see the introduction of educational tablets in year four primary school classes in all Government, Church and independent schools.

We shall continue to improve infrastructure and WIFI access in schools and replace all PCs which have been in use for more than eight years in primary school classes.

### **Skills Council**

We shall launch the Skills Council where economic stakeholders will be brought into contact with education officers to analyse the competences and skills that will be required in the coming years so that our educational institutions will adequately train students for the new work opportunities that are being created.

## **Training for Teachers**

The Institute of Learning will continue to facilitate on-going training of all educators who are either new recruits or in service. All educators will be assisted in improving pedagogy and keeping abreast of new learning and teaching methods by the use of modern means, including on-line courses. The aim is for all educators to be equipped to offer high quality teaching.

The Government will enter into agreements with local and foreign universities to provide training for teachers on the pedagogy of vocational subjects. This will enable them to teach vocational subjects at secondary level.

For next year we shall also allocate €400,000 for teachers in state and other schools who apply for sabbatical leave with pay to further their studies.

## **More investment in the University of Malta....**

Works will continue on capital projects undertaken by the University of Malta including the extension of the Material Engineering Lab and the Mathematics and Physics buildings, a building for Postdoc, a multi-religion building, and the renovation of the campuses in Valletta and the Junior College. The Government will contribute towards the building of a University Residence and Community Car Park in Tal-Qroqq.<sup>i</sup>

## **.... and the Malta College of Arts, Science and Technology, MCAST**

At the Malta College of Arts, Science and Technology work will continue on the development of a new campus overlying the Institute of Energy and Transport, the Library and the Learning Support Unit.

We shall invest in courses and services in the maritime sector in collaboration with strategic partners as well as in new resources for the Institute of Creative Arts.

By reforming the apprenticeship scheme, we will also ensure that apprentices are given high quality training.

The College will introduce a Research Framework to improve the level of teaching through relevant research and co-operation between students and industry as well as between MCAST and industry.

### **Science, research and innovation**

Through the Explora Science Centre, which cost around €26 million, half of which came from European funds, we shall have the first interactive science centre with other related activities, to make science more popular and encourage more students to opt to study science in the future. Our long term vision is for Malta to have more science professionals than we have today so that our

country will have the human capital which is so necessary for economic competitiveness based on knowledge - the so called knowledge based economy.

At the same time, we shall continue to assist local researchers to obtain the support they need in their work through Horizon 2020 and by means of other financial schemes.<sup>ii</sup>

## **Training**

With the aim of investing in human resources and reinforcing our commitment to pave the way for every individual who would like to progress further, Jobsplus will continue its programmes including Work Exposure, Traineeships, Access to Employment, Training Pays and the Community Work Scheme. More jobs will also be created through the Document Management System for Public Documents for persons with disabilities who seek employment.<sup>iii</sup>

A low rate of unemployment among young people does not happen by chance. This explains why we have drawn up a plan of reforms which prioritises an inclusive society that looks ahead towards opportunities rather than obstacles. Through the Work Programme Initiative we shall continue to collaborate with the private sector to assist persons aged 25 who have been seeking employment for 12 months or over. At the same time, we shall still make available the Youth Guarantee to ensure that Malta achieves the lowest rate of unemployment amongst youths.



By means of these initiatives we are placing the development of skills and opportunities for every individual at the very heart of this Government's policy. All this will take place as we reinforce our relations with employers with the aim of maintaining the same rate of progress as that achieved by demand in the labour market.

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<sup>i</sup> For all these projects there is an allocation of over €7 million during the coming year.

<sup>ii</sup> We are also prepared to consider a proposal made by the Chamber of Commerce earlier this year regarding the setting up of an organisation comprising representatives of the Chamber and other institutions such as the University, Malta Enterprise and MCAST. The aim of this proposal is for members of this organisation to work together so that industry and academic institutions could implement research programmes on the commercialisation of products and their marketing.

<sup>iii</sup> These various schemes organised by Jobsplus are aimed at offering training in skills and trades which are in demand, giving participants hands on experience in skills or trades of their choice and assisting them in obtaining the necessary self confidence to facilitate the transition from a training programme to the reality of work place.

## **A STRONG INFRASTRUCTURE FOR A STRONG ECONOMY**

The great strides our economy has made in the past three years with the large numbers of foreign visitors and the record number of persons who leave their homes for work every day are creating new challenges for our infrastructure and environment. Government is prepared to keep investing heavily and to encourage the private sector to invest as well for us to have the infrastructure that befits the country. However, Government needs to make sure this development is sustainable in order to keep the balance required for the protection of the environment.

### **Energy**

The transformation of Enemalta continues, following another upgrade by the credit rating agencies. This comes about on the strength of an 80 million Euro investment by Enemalta over the past three years in the distribution system.

The time has now come for the country to reap the benefits of the new gas powered plant, particularly at a time when the international price of oil is once again on the rise.

Soon we shall be closing down completely the plants that run on heavy fuel oil and commission the two plants that generate electricity using natural gas.

Following this development, the Marsa Power Station will no longer be kept on cold standby and will be decommissioned completely, followed by the dismantling of turbines, boilers and chimneys so that the regeneration of the Marsa area can take off. 2017 will also see the dismantling of the oldest section of the Delimara Power Station which includes boilers, steam turbines and the 150 meter chimney which continually discharges carbon emissions.<sup>i</sup>

At this point it should be said that during the current year the average electricity outage was of only 63 minutes down from the average of 4 hours we had prior to 2013.

### **Gas pipeline from Sicily**

We shall also continue with the implementation of our pledge to lay down a gas pipeline which connects us with Gela in Sicily.

In 2016 work was taken in hand to identify a corridor on the seabed where the pipeline could be laid; the sites where the pipeline could link up to the gas grid in Sicily and Malta; the issue of the necessary environmental permits and the best possible location of the link between the pipeline and the gas system at the Delimara station. Geological tests are also being carried out to identify the best underground route for the pipeline in Delimara.<sup>ii</sup>

## **Fuel Storage**

At the same time Enemed will be modernising the fuel storage plant at Ħas-Saptan and will be developing a new filling station at a cost in excess of €50 million. This would be in fulfilment of another of our pledges, that is, the complete closure of the 31<sup>st</sup> March plant in Birżebbuġa, which people living in the South of Malta know to be the real and present danger in their midst.

Enemed is also in the process of modernising the jet fuel storage facilities at the airport - an investment of over €15 million. Works on this project are expected to commence in the first months of the coming year.

## **Renewable energy**

In the fields of renewable energy and the efficient use of renewable energy sources, the Energy and Water Agency, set up precisely for this purpose, has several ongoing initiatives with respect to sustainability, security of supply and the affordability of energy and water in Malta.<sup>iii</sup>

By the end of this year we expect to reach half the goal of 10% which we must reach by 2020. Thus, by the end of this year Malta will have between 95 and 100 megawatt peak of photovoltaic installations thanks to innovative and sustainable schemes.

In 2016, preparatory work was carried out in order to allow people who do not have access to a roof, the opportunity to invest in renewable energy at a community solar farm overlying the water reservoir at tal-Fiddien.<sup>iv</sup> In August of this year the European Commission approved a €140 million scheme for large scale renewable energy installations.<sup>v</sup> In 2017 we shall continue to issue fresh grants for householders who wish to install photovoltaic panels on their residences.

Other schemes will be rolled out as incentives for the installation of heat pump water heaters, double glazing, roof insulation, solar water heaters and the restoration of household wells. We estimate that these schemes would assist around 1,000 families and through them alone we would be reducing around 440 metric tons of CO<sub>2</sub>.

The Conservation Unit (Energy and Water Agency) will continue to assess the potential of school roofs to be used for the production of additional renewable energy whilst the first solar farms will be built in collaboration with the Water Services Corporation, the GRTU and the Malta Developers Association. The installation of the panels will commence next year.<sup>vi</sup>

Another scheme pertaining to energy audits of SMEs developed by the same agency and administered by Malta Enterprise, will be rolled out after consultation and in collaboration with the GRTU.<sup>vii</sup>

Within the scope of an initiative for the more efficient use of energy, Malta Enterprise is expected to promote the development of a scheme whereby enterprises with high energy consumption will be given assistance to invest in systems and machinery that will enable them to be more efficient in the use of energy.

We shall also carry on with the campaign of house calls aimed at spreading information about the wise use of energy and water and advice in this regard.

We also felt the need to launch a grants scheme to promote the replacement of old appliances. For this purpose a scheme of eco cheques will be set in motion to assist the more vulnerable groups to replace refrigerators, air conditioners and tumble dryers with modern models that are more economical.<sup>viii</sup>

### **Agreement on savings on energy consumption**

In the course of next year, we shall be operating a scheme for hotels, agreed between the Energy and Water Agency and the MHRA, whereby members of this association will benefit from a system of rewards related to savings registered in their energy consumption.<sup>ix</sup>

## **Issue of solar bonds for the general public**

Following the acquisition of European Union funds for the development of solar schemes and in a bid to reach national targets for renewable energy, in the coming months Malita plc in partnership with Malta Government Investments Ltd will be floating solar bonds on the market which may be taken up by the general public.

These bonds will finance the leasing of solar panel systems to be installed on commercial establishments. Thus enterprises investing in these systems would have an added source of financing. The bonds will also be used to finance solar systems in public areas which will be identified in the coming months.<sup>x</sup>

## **Water**

This year, the Water Services Corporation completed works on three polishing plants in the limits of Taċ-Ċumnija in Mellieħa, at Ras il-Ħobż in Gozo and at Ta' Barkat in Xgħajra for the tertiary treatment of urban waste water as an alternative source of water for agriculture and industry. Upon successful commissioning and testing, these plants would produce an additional seven million cubic meters of water.

In the second phase of this project we shall be putting in place the infrastructure for the distribution of this water by means of electronic dispensers that work with top-up cards. The project is expected to cover some 1,200 hectares of agricultural land.

At a cost of €1.5 million we shall be carrying out landscaping works to improve the environment and embellish the area surrounding the Ta' Barkat plant to alleviate the problem of foul smells, particularly for the residents of Xgħajra.

In the course of next year the Corporation will be renewing the drainage system in Triq Cachia Żammit in Żejtun at a cost of €1.5 million to solve the drainage problem that has been accumulating in the area for some time. This project would be similar to the one carried out in Baħrija this year.

With regards to Baħrija, next year will see the completion of the resurfacing of the whole of Triq in-Nigra as well as the installation of lighting in the principal road and the renovation of recreational facilities for children.<sup>xi</sup>

In 2017 the Energy and Water Agency will be opening a National Centre for the Conservation of Water in the neighbourhood of Nigret in Rabat.



In order to have in place adequate infrastructure for rainwater harvesting and to restore existing facilities, European Union funds will be utilised for the rehabilitation of the water dams in Wied il-Qlejjgħa (Chadwick Lakes) and the restoration of various other minor water dams.

## **Public Transport**

The encouraging rise in the number of passengers making use of public transport is a clear sign that gradually the Maltese public is regaining confidence in this service. During the last year public transport carried over 40 million passengers, an increase of 7% on the previous year and a rise of 18% when compared with 2012.

We shall continue to insist with the public transport provider for further improvement of the service both with regards to frequency and punctuality as well as the level of service offered to passengers.

## **Refund of VAT on car registration**

As promised, this year we continued to issue payments fo *ex gratia* refunds on tax paid on additional vehicle registration to persons who had registered vehicles between 1st May 2004 and 31st December 2008.<sup>xii</sup>

## **Road Traffic**

This Government will not ignore the challenge of traffic increase in the country which is a reality faced by people on our roads every day. This is not something that started overnight but is an accumulation of lack of planning over a number of years.

Our country, particularly over the past three years, has grown at a very fast rate. Today we have 24,000 more people commuting to work every day whilst the number of tourists is ever on the rise. Undoubtedly, increased traffic reflects the economic situation of the country. Whilst the rise in car registration in 2012 stood at 1.4 per cent, in the past three years this has exceeded 3.4 per cent each year, representing an increase of 12,000 vehicles on our roads every year.

Whilst striving to improve public transport and providing better infrastructure, we shall be taking further measures to offer incentives to particular groups in a way that rewards the use of organised transport.

## **Tax credits for worker transport**

As of 2017 we shall be giving tax rebates of 150%, up to a maximum of €35,000 per year, for costs incurred by companies that provide employee transport on their own and up to a maximum of €50,000 per year for companies that operate this

service in partnership with other companies when the transport of workers is provided free of charge.

### **A plan for sustainable transport by public entities**

This government shall be leading by example. As of next year we shall be expecting government entities employing more than 50 persons to come up with a plan for sustainable group transport.<sup>xiii</sup>

### **One year of free travel on public transport**

In an effort to encourage more people to use public transport instead of their own private vehicle, every young person reaching the age of 18 in the course of 2017, will be given a one year free travel pass for public transport amounting to a maximum of €312 for every young person.<sup>xiv</sup>

### **Investment in cleaner means of transport**

In the last budget we introduced an incentive for enterprises that invest in bicycle racks for the parking of their employees' bicycles when these opted to use this means of transport to commute to work. This scheme will be extended for another year.<sup>xv</sup>

## **Road development and other works**

In the roads sector, in 2017 we will be concentrating mainly on works related to the Kappara project with the aim of completing these works by the end of next year. At the same time we shall be taking in hand all necessary preparatory work so that upon the completion of the Kappara junction project, works could start on the Marsa project in the shortest possible time.<sup>xvi</sup>

In 2017 we shall also start works on the rehabilitation of the Triton fountain and the surrounding area.

In addition, we are planning to start works on the widening of the Hamrun bypass between the Santa Venera tunnels and the slip road leading to Ħal Qormi; a new junction at High Ridge in St Andrews; a junction in Mosta where Labour Avenue joins the Mosta ring road; and other roads in Tal-Qajjenza, Żurrieq, Ħal Safi, Vittoriosa and Valletta. Other works will be taken in hand on maintenance and repairs on arterial and distributor roads as well as the asphaltting of new residential roads.

In the field of oil exploration we shall be setting up a national company to regulate operations in this sector.

## ***Projects in the tourism sector***

### **Project in the Grand Harbour for Cruise Liners**

This year we are expecting over 700,000 passengers to visit Malta on cruise liners that call at Grand Harbour for a few hours. This is a sector we need to exploit further.

Between 2017 and 2020 around 40 new vessels will be entering the cruise liner industry. The majority of these will exceed 300 meters.

In order to expand this sector and be prepared for the future, we shall be widening Pinto Wharf by another 15 meters so as to have a second quay which can accommodate cruise liners of over 300 meters.

We shall also be encouraging home porting as this is another source of attracting more visitors to the island.

It is also planned to start talks regarding the expansion of the Deep Water Quay.

## **Institute of Tourism Studies**

We have already announced an investment of over €56 million for a new campus for the Institute of Tourism Studies in Smart City which will improve teaching quality in the hospitality sector. Work on the Smart City complex is expected to start at the beginning of 2017.

## **Improving the general look of the country**

Infrastructural improvement is important. But the embellishment of the country as a whole is equally important. For this purpose we shall be setting up a new agency where various government entities would be brought together under one roof so that together they would give this aspect of the environment the importance it deserves.

Our families deserve to live in an environment that enhances the quality of their life. The time has come for a leap in quality in the upkeep and general look of various localities and public areas.

## **Projects for the benefit of communities**

This programme of works includes the resurfacing of streets in Valletta, particularly in residential areas; a restoration and rehabilitation project at the lower end of Fort St Elmo; the rebuilding and paving of the promenade in Qajjenza; a public garden in the square in Triq l-Irmiġġ in Msida; sports facilities in

Kalkara and Xgħajra; the restoration of the lower parvis of the Church of St Catherine in Żejtun; and the development of a football pitch in the Family Park in Marsascalea.

Government is committed to the regeneration of Marsaxlokk. During 2016 a public consultation was held for residents to make suggestions as to how their village could be regenerated in the best possible way. Work was also carried out on the repair and the embellishment of streets in the neighbourhood to improve accessibility and traffic circulation.

A tendering process has also been set in motion for the construction of a new car park and works are forecast to take place in the first quarter of next year when the surrounding roads would also be completed. Following that, works will commence on Xatt is-Sajjieda, turning this part of the village into a pedestrian zone.

In collaboration with the Birżebbuġa Local Council, in 2017 we shall be formulating a plan for the regeneration of this locality.

In Fgura we shall be carrying out an environmental and sports project which consists of a public garden in Triq Valperga where more trees will be planted and will include a walking and jogging track, a relaxation area, a sports pitch and a scouting area. The building of a BMX track close to this garden is also being planned.

We shall be allocating funds to the Żebbug Local Council for the building of a new Civic Centre.

Works will also be carried out in Duminku Mintoff Garden in Paola, affording the residents more pleasant surroundings and modern facilities. Similar works will be carried out at I-Għarusa tal-Mosta Garden.

Another process that will be launched is the partial local plan review which will identify a site on public land, already committed as a development zone, for the building of an administrative centre outside Valletta.

### **Incentives for community projects by businesses**

Businesses undertaking embellishment and useful projects for the benefit of local communities, that have the approval of the respective Local Council, will be given tax rebates.<sup>xvii</sup>

### **The environment**

Today we are increasingly aware that the protection of the environment around us should be a priority. A healthy environment means a better quality of life.

We firmly believe in our environmental credentials. These were confirmed by our decision to switch over to gas in the generation of electricity; the development of a modern infrastructure for waste



management; the regeneration of Natura 2000 sites; increasing the number of marine protected sites to fourteen; and the setting up of autonomous structures for the protection of the environment and our resources.

## **Environment and Resources Authority**

With the setting up of the Environment and Resources Authority we now have an authority with responsibility in the environment sector. In 2017 this authority will embark on a number of projects, partially financed by the European Union, which include the monitoring of the maritime environment.

## **Strengthening of legislation**

In 2017 we shall be setting up an Advisory Committee to strengthen legislation and enforcement with regards to the abusive dumping of waste.<sup>xviii xix</sup>

## **Waste management**

Following the inauguration earlier this year of three new plants in Malta North in Magħtab, the autoclave in Marsa and the transfer station at tal-Kus in Gozo with an investment of around €65 million and the introduction of waste separation systems and the collection of organic waste in some localities, in 2017 we shall be extending the collection of this type of waste to other localities.

Meanwhile, we have to consider seriously alternatives to replace the landfill at Għallis when this reaches saturation point.

### **Parks and afforestation**

2017 will see the continuation of various projects including the Buskett project; parks at Kennedy Grove and Salina; the restoration of fortifications and other areas surrounding Argotti Gardens; and the new park in Ғaż-Żabbar. In 2017 work on afforestation projects will be carried out on sites earmarked in Baħar iċ-Ĉagħaq, Swatar, Msida, opposite Mater Dei Hospital, Wied Blandun and Cospicua.<sup>xx</sup>

### **Tal-Inwadar National Park**

In the south of Malta we shall build the second largest national park after the Majjistral Park, which will extend from Ta' Barkat plant to Żonqor Point. For this purpose we shall appoint a Board of Governance to transform the area into an attractive park where the environment of our island can be better enjoyed.

### **Argotti Gardens**

We shall be joining together the Argotti Gardens, the Garden of St Philip and the Mall and transform them into botanical gardens. The project is estimated to cost over €3 million. Works on this project will be taken in hand during 2017.

## **Sustainable open spaces**

Whilst continuing to identify sites that could serve as public open spaces, we shall also manage and maintain sites of natural value and which are part of our national heritage such as the Victoria Lines, the Cottonera Lines and the area around Għar Lapsi.

We believe that there is a need for more spaces where families could spend their leisure time. For this purpose we shall be investing in an upgrade of the picnic area at Ta' Qali. At the same time, we are in the process of identifying a location for a new camping site.

## **Agriculture**

Thanks to new incentives for the production and promotion of high quality local agricultural produce under a programme of rural development, we shall be putting in place a framework for the certification and control of products to provide consumers with quality products that carry a warranty brand.

In 2017 we shall once again establish an agricultural extension service offering technical advice and assistance to farmers and breeders on a regular basis.

With regards to the relocation of cattle farms currently situated in residential areas or historical sites, an application was submitted for the building of modern farms that respect environmental

regulations and the closure of farms that are known to cause inconvenience.

In 2017 the programme for the restructuring and upgrading of the public abattoir will continue.

### **Transfer of agricultural land between family members**

In order to address the many requests for the transfer of farmland which are still pending, we shall be introducing legal provisions to facilitate the transfer of government-owned agricultural land between farmers, particularly between members of the same family.

### **Assistance to young farmers**

Legal provisions will come into force to facilitate the transfer of government-owned agricultural land in favour of young farmers. The land in question will be offered to young farmers at a low rent for the first five years.

### **Fisheries and aquaculture**

In the fisheries sector, landing sites will be upgraded in 2017, including the building of a permanent office in Marsaxlokk.

A call for tenders for the building of a new breakwater for fishermen in Marsaxlokk will be issued as soon as environmental

assessments and other preparatory work for the granting of a development permit are finalised. The existing breakwater will also be repaired and upgraded. These works will be carried out in 2017.

With regards to aquaculture, we shall continue our research programme with particular emphasis on diversification towards species not taken from the wild as well as the development of live feed for use in hatcheries.

A plan is also being developed for sustainable offshore aquaculture operations in order to regulate the sector and ensure the elimination of any negative impact on the environment.

### ***Planning and government***

#### **Setting up of the Lands Authority**

In the coming year we shall transform the Lands Department into an autonomous authority with a structure that will respond more adequately to present-day requirements.<sup>xxi</sup>

## **Temporary emphytheuses**

People holding government property under the title of temporary emphytheusis, where the period of emphytheusis has expired or is about to expire, will be given the opportunity to renew the title under the same conditions of the original emphytheusis, apart from the ground rent due, which would need to be re-evaluated.<sup>xxii</sup>

## **Scheme regarding shops**

We shall once again operate the scheme for shops outside Valletta. This scheme applies to government-owned shops which are leased or subject to emphytheusis. Under this scheme, the lessee, the holder of the emphytheusis or the third party operator will now benefit from a title of temporary emphytheuses of 45 years, subject to certain terms and conditions.

## **Fiscal incentives for the development of public car parks**

In the coming year the Planning Authority is expected to publish proposals regarding incentives to develop new public car parks, including open air car parks.

## **Refund of expenses on restoration works**

With the aim of preserving our cultural and historical heritage, through the Planning Authority, in 2017 Government will contribute towards a share of expenses incurred by owners in the restoration

of façades of historical buildings. Details of this scheme will be announced at a later date.

### **Removal of capping on large projects**

It is now possible for development application fees for large projects to be paid in instalments over a period of time. The Authority will be completely removing the existing capping of €0.5 million with respect to this arrangement.

### **Gozo**

Mr Speaker, the people of Gozo are well aware that over the past three years the economic performance of their island has undergone enormous change. This success was due to the enthusiasm and genuine interest we have always shown in this island to promote initiatives generating economic activity on a scale never witnessed before by the Gozo community.

Since we believe that tourism should continue to serve as the mainstay of the Gozitan economy, in this past year we have gone to great lengths to strengthen this sector. I need only remind you of the Ċittadella project where we invested more than €14 million.

As a result of our continued endeavours, unemployment in Gozo went down from around 750 in March 2013 to just slightly over 500 in June of this year. During the same period we witnessed an

upsurge in the number of Gozitans who found employment in Gozo itself.

We shall therefore keep working on these lines.

### **Projects that gave Gozo a new dimension**

Projects that will give Gozo a new dimension and at the same time continue to diversify the island's economy, include the investments already agreed upon regarding the general hospital and the Barts medical school as well as the digital centre to be built in the Xewkija Industrial Zone.

In order to reinforce the digital infrastructure of Gozo we are allocating a substantial investment of €3.2 million over the coming two years for the provision of a fibre optic link between Malta and Gozo which will further sustain this infrastructure. This link should help in attracting more investment in the field of IT and in the digital economy which we wish to serve as a new niche economy on the island.

In addition, to provide greater serenity for big investment decisions that we are succeeding in attracting to Gozo, we shall be doing away with dependence on a single fibre optic link and invest in a second fibre optic cable between the two islands.



## **Assistance to Gozitan students**

Besides continuing to assist Gozitan students who study in Malta, we shall be extending the subsidy we currently give to those who follow full-time courses at the University of Malta and MCAST to apply also to Gozitan students who attend any other private higher education institution in Malta.

## **Public works in Gozo**

During the coming year we shall be starting work on a project for the setting up of a Gozo Museum which is estimated to cost around €5 million.

We shall also be implementing something that the previous administration promised on several occasions but never accomplished. Thanks to a partnership with the private sector, Gozo will finally have a new swimming pool which could also serve to attract sports tourism to the island.<sup>xxiii</sup>

We shall continue with our project in connection with the Gozo Law Courts so that the courts could move out of Ċittadella and start functioning from a modern complex. We shall adopt the same plan with regards to the Victoria Primary School, which will be transferred from a historical building to new premises, adequately furnished with modern amenities.

Other projects include the Home for the Elderly in Għajnsielem with an investment of €6 million and the project of a stairway which links the car park in the centre of Rabat to St Francis Square at a cost of €3 million.

We shall also roll out a number of projects for the embellishment of main village squares; the cleaning of valleys, the rebuilding of rubble walls in various localities; and the restoration of historical sites including the Xewkija Mill and Calypso's Cave.<sup>xxiv</sup>

In 2017 we intend to continue with a vast programme of works involving the resurfacing of various roads in Gozo that have been abandoned for a number of years.

### **The Ċittadella project**

In 2017 we want to ensure the proper maintenance of this historic complex so that the Ċittadella would be enjoyed by future generations.<sup>xxv</sup>

In the coming year we shall start a process of consultation with regards to the current parking situation in Victoria, a topic that has become even more pressing now that the Ċittadella has become a major attraction.

## **Improved connectivity between Gozo and Malta**

To enhance connectivity between Gozo and Malta we set the ball rolling with the issue of a Request For Proposals (RFP) for the launching of a fast ferry service between Valletta and Mgarr in Gozo.

At the same time, substantial progress was registered on a permanent connection between the two islands. Early in 2017, geological studies will be carried out so that on the strength of this information it will be possible to build a precise geological model of the seabed.<sup>xxvi</sup>

In 2017 we shall also be working on the first phase of a public call to design, build and operate a sub seabed tunnel connecting the two islands.

## **White paper concerning devolution regarding Gozo**

In 2017 we shall issue a white paper intended to set in motion a consultation process concerning the devolution of certain responsibilities for the island of Gozo. Our aim is to promote a wide discussion regarding those administrative functions and other activities directly relating to Gozo and whether and to what extent it would be feasible for such matters to be entrusted to the management and direction of a body operating from Gozo itself. This forms part of a process of decentralisation which would at the same time give a stronger voice to Gozo.

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<sup>i</sup> In 2017 Enemalta will continue to invest in advanced technology which will be spread out across the 1,400 substations in Malta and Gozo to further improve the supply and distribution of electricity whilst continuing the fight against electricity theft which is now below 3% the lowest level ever registered in Malta and far below the European average.

<sup>ii</sup> The final study which also includes the design of the whole pipeline system and the Scoping Report to kickstart the process for the necessary environmental permits in Italy and Malta is expected to be completed in 2017.

<sup>iii</sup> The Energy and Water Agency has embarked on preparatory work to collect the necessary data in order to draw up an integrated plan regarding climate and energy for the period 2020-2030.

<sup>iv</sup> Following a call for tenders for the necessary works, applications will soon start to be considered under a scheme for those who would like to invest in this farm which will be in operation in 2017. Enemalta is also considering the development of other solar farms in which the general public will be given the opportunity to invest.

<sup>v</sup> It is intended to launch a scheme backed by a feed-in-tariff for renewable energy installations, primarily photovoltaic installations larger than 1MW. The sites will be chosen according to the Solar Farm Policy.

<sup>vi</sup> In the field of energy efficiency, the Energy and Water Agency will be looking at recommendations arising from an audit of energy efficiency carried out on a number of government buildings by Bosch following a Memorandum of Understanding between government and the company.

<sup>vii</sup> The promotion of energy audits will continue in 2017 and will be extended to all enterprises, in collaboration with Malta Enterprise and the Malta Business Bureau.

<sup>viii</sup> In 2017 the agency will be applying for European Union funds for the replacement of more than 2,000 conventional street lighting with energy saving LEDs.

<sup>ix</sup> The necessary studies are currently in hand to establish a set of benchmarks for each hotel.

<sup>x</sup> Following the approval by the European Union of funds for the development of solar schemes and in a bid to reach national targets for renewable energy, in the coming months Malita plc in partnership with Malta Government Investments Ltd will be floating solar bonds on the market which may be taken up by the general public. These bonds will finance the leasing of solar panel systems to be installed on commercial establishments so that enterprises investing in these systems would have an added source of financing. The

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bonds will also be used to finance solar systems in public areas that will be identified in the coming months.

<sup>xi</sup> These works are intended as compensation for the inconvenience borne by residents in the course of the project and will be financed by the Water Services Corporation.

<sup>xii</sup> We will keep honouring this pledge in 2017 when we shall be refunding all tax paid by those who registered vehicles in 2006. This means that by the end of 2017 we would have paid back around €9.5 million collected in excess by the previous administration.

<sup>xiii</sup> This plan will include positive measures together with incentives which these entities are prepared to offer to their employees to commute to and from work using group transport rather than their own vehicles. The Planning Authority has already successfully adopted a similar plan which led to over 80 employees participating in this initiative.

<sup>xiv</sup> Records show that at present there are already around 5,000 persons who will turn 18 at some point next year and who already have the Tallinja card. These will be given a refund of the card.

<sup>xv</sup> This will cover refund of all capital expenses related to the use of bicycles, including the installation of showers. An allocation of €150,000 is being placed at the disposal of a board which will be set up and which will include representatives of organisations promoting the use of bicycles, to administer these funds.

<sup>xvi</sup> In this contest mention should be made of the solution based on temporary access that was found recently to ease the problem of congestion caused by traffic leaving Cottonera and neighbouring areas on its way to Valletta. We believe that whenever circumstances warrant this position and whenever feasible, the authorities responsible for traffic management should identify practical solutions, even short-term ones, to ease problems that might arise from time to time and implement them as a matter of urgency.

<sup>xvii</sup> This would be equivalent to 120% of the value of the works when the additional 20% does not exceed €15,000.

<sup>xviii</sup> The need is felt for stronger enforcement and harsher penalties for abusers, and legislative amendments in this sense will come into force next year with the ultimate goal of having a structure and dedicated system of prosecution of environmental offences such as are found in other countries.

<sup>xix</sup> At the same time we shall carry on with the necessary legal reforms relating to sustainable green public procurement and the enforcement of measures relating to the green economy.

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<sup>xx</sup> In this context, in 2017 we shall be investigating the possibility of embellishing the urban areas of our islands through innovative projects with the creation of so-called vertical gardens so that public spaces and buildings which are appropriate for such projects would be utilised and used as green spaces and buildings. Our intention is to also look into the possibility of operating this scheme in partnership with the private sector.

<sup>xxi</sup> The Authority will need to convert the present system of files to a digital format to ensure efficiency and transparency in the administrative process. The Authority will draw up a framework of standards regarding the valuations of property in a professional manner.

<sup>xxii</sup> This applies to holders of emphyteusis who operate the property themselves and hold the property subject to ground rent in its entirety and where the property has not been divided and leased out or made the subject of sub-emphyteusis to third parties, and is not being used as the ordinary residence which is covered by other legislation.

<sup>xxiii</sup> Following a Request For Proposals for the design, construction and maintenance of the complex by the private sector, it is expected that by the end of the year the contract for this project will be concluded. This should make it possible to start the works in 2017. The project is expected to be completed in around a year and a half.

<sup>xxiv</sup> In the years ahead beaches in Gozo should be managed better. Priority will be given to Hondoq ir-Rummien and to Marsalforn, two beaches that were awarded a Beach of Quality status during 2016 and that will be considered for the award of the Blue Flag in 2017.

<sup>xxv</sup> What was achieved through the restoration of the Ċittadella cannot be allowed to deteriorate but should be properly maintained. For this purpose we shall be studying the various options for projects that would be sustainable.

<sup>xxvi</sup> Agreement has been reached between the University of Malta and Transport Malta to carry out seismic testing in the coming weeks.

## **ENHANCING THE COUNTRY'S COMPETITIVENESS**

Mr Speaker, the investment announced in the past few months, originating from Jordan, Singapore, the United Kingdom, China, Qatar and the United States of America, clearly shows the good results being achieved by this Government in making the country competitive and attractive to foreign investors. This trend will continue in the years ahead because the Government believes that this country has a lot to offer.

### **Malta Development Bank**

Our financial infrastructure will be strengthened considerably in 2017 when the Malta Development Bank will start to operate. Through this Bank we shall have a new financial infrastructure that will specialise in the development of investment in our country. The Bank will have an authorised capital of €200 million, of which €30 million will be the initial paid up capital.<sup>i</sup>

### **Setting up of an Export Credit Agency**

It is my pleasure to announce that work on the setting up of an Export Credit Agency is progressing as planned.<sup>ii</sup>

## **Fight against unjust competition - *Setting up of the Joint Enforcement Task Force***

In the fight against unjust competition in commerce and against tax evasion, we are setting up the Joint Enforcement Task Force to ensure joint action by the Department of Inland Revenue, the VAT Department as well as the Customs Department. The Tax Compliance Unit will also have an active role in this new initiative.

The priorities of this Joint Enforcement Task Force will include control and more frequent spot checks on employers who recruit unregistered workers and on owners of rented property which is not declared with the authorities as well as a close watch for unjust competition from certain imported goods.

## **European Fund for Strategic Investment (EFSI)**

The European Fund for Strategic Investment (EFSI) is an important instrument which could further spur our economic growth.

Following the setting up of the Malta Development Bank, plans are now in hand for this Bank to be instrumental in acquiring funds also from the EFSI to create more investment opportunities.

Government has already identified the Marsamxett breakwater project as a candidate for EFSI financing for the regeneration of Marsamxett harbour.



At the same time we are giving consideration to other initiatives that qualify within the scope of this Fund so as to make the best use of EFSI for our country's benefit.

### **IIP and the National Development and Social Fund**

During this year we shall continue to promote the successful Individual Investor Programme (IIP) which is attracting wealth and investment to our country. The National Development and Social Fund, which administers a substantial part of the funds generated by this programme, will soon come into operation. Access to these funds will be open to projects of national interest as well as pilot projects for Local Councils.

### **International Accelerator**

With the aim of providing more professional assistance to local start-ups, we shall bring to the country an International Accelerator. This should help to establish new economic niches, particularly in the field of new technologies, and to attract international operators with access to networks of entrepreneurs who could help Maltese start-ups to widen their operations.

## **European Funds**

The European funds Malta has carefully absorbed since its accession to the European Union contributed significantly towards the building of a modern country, the promotion of wealth and the reinforcement of various sectors of our infrastructure, including education, ICT, employment, culture, tourism, renewable energy, health, fisheries and migration. In 2017, we shall be doing our utmost to improve the rate at which we absorb EU funds allocated for 2014-2020.

In this context I would like to recall the extensive commitment we will be taking up in the first six months of 2017 when we shall be responsible for the Presidency of the European Council. This will be a historic occasion for our country and the Government is well prepared for this responsibility.

Our priorities include immigration, relations between the Union and our Mediterranean neighbours, maritime issues particularly transport and tourism, and the development of a common single market with particular reference to SMEs. Of special interest to us are the social dimension, financial and monetary policies, international trade, research and innovation together with a digital strategy and energy.

We are certain that after all the hard work and painstaking preparations during the last months with respect to a draft national

programme for the Maltese Presidency as well as all the preparatory work for the meetings of the European Union Council and other high level meetings to be held during the term of the Maltese Presidency, we will succeed in holding high the name of Malta.

We believe that all good-willed people will agree with this and are prepared to extend their full support so that the Government and the Maltese people will face this challenge with dignity.

The year 2017 will also witness the relaunch of MEUSAC so that this Committee will strengthen its relevance in the country's Europeanization process.

### **Financial Services**

From the very start, we recognised that financial services and international trade constitute a central plank of the Maltese economy. These sectors provide high quality jobs and generate revenue for the country through taxation, foreign investment, lease of property, purchase of products and services, etc.

We remain committed to lending support to these sectors, above all, through our insistence on Malta's right to continue to offer a competitive taxation whilst respecting international standards of transparency and exchange of information.

Thus, we shall continue to insist on and defend the Maltese system of taxation in the light of international developments whilst at the same time continuing to ensure that our tax regime is constantly up to date with the latest developments.

For this purpose, we intend to introduce new measures meant to promote more foreign investment in our country, such as a system which accords the same benefits to capital investment as it does to loans and the introduction of detailed Tax Consolidation regulations that permit groups of companies to calculate their profit and loss on a group basis. We also intend to invest in the further improvement of the taxation regime which constitutes one of the main elements that attracts foreign investment to our islands.

Government has continued to consolidate Financial Services in Malta with the setting up of the Resolution Authority and the Office of the Arbiter for Financial Services.

We shall also continue to develop a legislative framework to regulate new sectors and processes in the field of insurance, collective investment funds and securitisation to ensure that the Maltese financial sector continues to grow in a dynamic manner.

## **Encouraging investment on the Malta Stock Exchange**

Government will be extending incentives so that more persons will invest their funds on the Malta Stock Exchange whilst encouraging more enterprises to access credit provided through the Exchange.

For this purpose, in 2017 we shall be giving new fiscal incentives, in the form of a Risk Investment Scheme, this time for those investing capital in small and medium enterprises (SMEs) or in an investment fund spread over a number of SMEs registered on an alternative trading platform such as Prospects on the Malta Stock Exchange. Individuals who invest in this manner will be receiving a tax credit up to a maximum of €250,000 per year.

Moreover, we shall also be giving fiscal incentives to entrepreneurs who float shares in their companies for public investment through the Malta Stock Exchange. To date, earnings on capital derived from shares prior to listing on the principal exchange are taxed at 15%. These gains will now be exempt from tax.

This incentive will also apply to entrepreneurs who list on the alternative trading platform.<sup>iii</sup>

We are introducing these incentives as a concrete acknowledgement of the risk and initiative on the part of the original promoters.

These measures will complement a number of other initiatives that are due to be introduced by the Malta Stock Exchange.

### **Incentives for employers to set up private pensions**

In last year's budget speech I referred to the setting up of a working group to consider fiscal benefits for employers linked to voluntary private pension plans at the work place.

After this working group submitted its recommendations, I am now in a position to announce a set of measures that we shall offer as from 2017 to employers who, on a voluntary basis, decide to offer a private pension to their employees.

The Government will give fiscal incentives in the form of tax credit to companies that invest in pension schemes on behalf of their workers.<sup>iv</sup>

### **Maritime hub**

The project to transform the industrial site formerly occupied by the Marsa shipbuilding yard into a hub for the oil and gas industry and for logistics, will be pushed forward in 2017 after an agreement signed with Ablecare Oilfield Services Holdings Limited which will invest around €55 million over a span of ten years.<sup>v</sup>

Amongst other activities, this hub will provide facilities for the repair and recertification of oil rigs; storage for machinery and facility logistics; and logistics and assistance to companies engaged in oil drilling.

### **Free trade zone and international logistics hub**

We are committed to placing Malta on the map as an international logistics hub through an expansion of the nature and volume of activities in free trade zones.

In order to exploit Malta's potential as an international logistics base, during 2016 action was taken in hand on a plan so that by means of a Public Private Partnership, an international logistics centre of over 40,000 square meters will be developed at Hal-Far with an investment of €80 million. This plan will be further implemented during 2017 when an authority will be set up to govern and regulate all activities in the new hubs that will be declared free trade zones.<sup>vi</sup>

### **Maritime Malta**

Through the Maritime Proof of Concept Fund we shall encourage academics and students with creative and innovative ideas to secure the necessary financial support for the development of their ideas in the field of maritime trade into business concepts.<sup>vii</sup>

## **Property Malta**

Together with the Malta Developers Association (MDA) we shall be setting up an entity to be styled Property Malta to act as catalyst to encourage foreigners to take up residence and invest in our islands. The aim is for Property Malta to participate in international promotional and advertising activities to attract investors and people who would like to purchase holiday homes to settle in Malta.

## **The Life Sciences Park**

There are strong prospects that in the coming months there will be a substantial increase in the number of companies operating from the Life Sciences Park following an intensive drive by Malta Enterprise to attract more investment in the fields of research and innovation.<sup>viii</sup> With the aim of strengthening this sector, the National Skills Council will be evaluating the skills set and human resources needed in the field research and development.

## **The gaming sector**

In the coming year the Gaming Authority will be drawing up a regulatory framework that identifies the requirements of the industry and that will enable the Authority to have the means and powers that are necessary to fulfil its aims and obligations under the law.



Moreover, this legislative framework will address gaming regulation in a way that will not stifle innovation in the sector whilst continuing to enhance the protection of consumers and to emphasize responsible gaming.<sup>ix</sup>

## **Digital Economy**

Through the National Digital Strategy - Digital Malta, we are fulfilling our vision of strengthening the country through the use of technology in all aspects of society.

To accomplish the country's digital agenda we shall continue to strengthen the Government network and data centres, rendering this network more efficient and capable of offering more business continuity.

We also need to bolster our position with regards to risks posed by information technology and for this purpose we shall be launching a strategy for Cyber Security while in the years ahead we shall focus on its implementation.

## **Communications**

The communications sector is the backbone of a strong digital economy and is fundamental to the ICT industry in Malta. We are committed to continue to support development in the field of electronic communications and ICT.<sup>x</sup>

In order to establish our country among the leading WiFi states in the world, we shall continue to increase the distribution of hotspots.

We shall also continue to work on the project to ensure greater international connectivity by means of a new submarine cable between Malta and Marseille in France and shall evaluate the possibility of financial aid from the European Union. The aim of the project is to provide a wider and more efficient choice.

### **Ta' Qali Crafts Village**

We shall benefit from EU funds so that we will finally be able to implement the Ta' Qali Crafts Village project at a cost of around €14 million. This project too will take off in 2017.<sup>xi</sup>

### **Xewkija Industrial Estate**

We shall extend the Xewkija Industrial Zone to cater for two different lines of activity with an investment of €16 million for new business workshops as well as for financial services, ICT, research and training.<sup>xii</sup>

### **Food manufacturing centre at Mrieħel**

We are also working on a project to convert the site formerly occupied by the Dowty plant in Mrieħel into a food manufacturing centre.<sup>xiii</sup>

## **New schemes to assist business**

Malta Enterprise will be launching several new business oriented schemes. This includes a scheme offering financial assistance to disadvantaged individuals to help them set up sustainable businesses with the level of assistance reaching up to as much as €25,000 for each start-up.<sup>xiv</sup> Under a scheme of fiscal credit on research projects, assistance would vary between 25 and 45 per cent of the outlay.

Under a scheme for the development of digital gaming with a cultural theme, assistance would be given in the form of fiscal credit up to a maximum of 30 per cent of costs linked to the development of digital games.

## **Reduction of planning fees for industry**

As of next year the Planning Authority will reduce planning fees related to projects and industrial development in industrial zones so that these tariffs would replace existing commercial tariffs.

## **Less bureaucracy in opening a business<sup>xv</sup>**

In order to reduce the time needed to open a business from 30 to 3 days, as of 1<sup>st</sup> January 2017 shops and other commercial premises will no longer require a trading licence to operate a commercial activity. Through this measure, businesses will collectively save over €1.3 million annually.

## **Changes in shopping hours**

We shall introduce changes in the opening hours of shops and other commercial establishments so as to strike a balance between commercial interests, the needs of the public and protection of the employees concerned.<sup>xvi</sup>

## **Fair trading with less bureaucracy**

We are committed to facilitate fair trading. At the same time we need to ensure that the necessary controls are in place to guard against all types of illicit and illegal activity - and we shall continue to do this by means of additional enforcement action by the Customs Department.

Following the removal of the need of a bank guarantee as a requisite for payments by cheque, in order to continue to reduce bureaucracy, we shall be launching an electronic payment system as well as an online payment system in 2017.

## **Less bureaucracy for small start-ups**

Government wishes to encourage more young graduates to enter the world of business. We are therefore proposing that youths who graduated from post-secondary institutions over the past three years and who set up companies with an annual turnover of less than €80,000 will be entitled to exemption from audit in the first two years or else, should they elect to go for audit, to receive

a tax rebate of 120% on audit costs up to a maximum of €700 per year.

### **Public Private Partnerships**

In 2017, Projects Malta will make sure that projects on which agreement was reached between the Government and private interests will develop in accordance with agreed parameters. These include the investment in St Luke's Hospital, Karen Grech Hospital and the Gozo General Hospital with works on St Luke's Hospital expected to commence this year whilst works in Gozo are expected to start early in 2017.

There is also the development of maritime transport that will connect the main arteries with Valletta in a sustainable manner.

Following a Memorandum of Understanding between Government and Huawei, a Joint Innovation Centre will be set up between the University of Malta and Huawei for the development of IT applications.

Projects Malta will address the problem of lack of parking facilities in various areas including Mosta, Wied il-Għajn, Birkirkara, St. Andrews and Birgu.

In the coming months, Projects Malta will consider the feasibility of issuing a public call for the conversion of the former naval hospital in Imtarfa into an international independent school offering courses leading to an International Bacculaureate.

In 2017, the Public Private Partnership between Government and the Royal Malta Yacht Club will implement measures to promote the yachting sector and will assess the economic impact of the Rolex Middle Sea Race with the intention of attracting similar races.

At this point I would like to mention that after having successfully attracted private and foreign investment for the development of new yacht marina facilities at Sa Maison, in 2017 will shall renew our efforts to attract more investment in this sector. We shall issue a call for tenders for a new project in Gzira Gardens whilst also considering the development of a yacht marina in Marsascala.

In 2017 TradeMalta, a Public Private Partnership between Projects Malta and the Chamber of Commerce, Enterprise and Industry, will continue to assist Maltese companies in the export of products and services through business visits to foreign markets including the Middle East, the Gulf States and Russia and business fora and seminars with a focus on particular markets such as the United States.

Last March the Mrieħel Enterprise Zone Foundation was set up between the Government and 18 private companies, tasked with the upkeep of the Mrieħel Industrial Zone.<sup>xvii</sup>

## **Tourism**

Growth in the number of tourist arrivals is important and we believe that the record number of 1.9 million arrivals expected by the end of 2016 can be improved upon and increased to 2 million in 2017. At the same time, higher value added generated through activities in this sector and a sustained improvement in the quality of our tourism product, are also important goals.

The work programme, initiatives and projects envisaged for next year should go a long way towards reaching these goals.

In this sector, through Malta Enterprise, assistance will be given on expenses related to renovation works on hotels and restaurants - this would be in the form of tax credits relating to renovation expenses, up to a maximum of €50,000 for restaurants and €200,000 for hotels.

Under another scheme fiscal assistance will be given in order to encourage local restaurants to engage chefs with international experience on a temporary basis: this assistance will reach a maximum of €10,000.

## **Air Malta**

One of the biggest challenges we inherited in 2013 was Air Malta where we found an airline that was running losses of millions of euro every year. Despite a restructuring plan agreed with the European Union to save the national airline, we still encountered several dark clouds on the horizon.

Our strategic plan for Air Malta is based on awareness that, in an industry where airlines are consolidating, Air Malta cannot continue to compete as a standalone airline with a fleet of eight to ten aircraft. We acknowledge therefore the need to form part of a larger organisation that would give us an advantage in terms of aircraft leasing, fuel purchase, IT systems , etc.

All options are still open and Government will only agree to a plan that is advantageous for Air Malta and for the country.

## **Overseas advertising strategy**

In the opinion of the authorities responsible for our tourism industry, the advertising tools we have used and are still using in promoting our islands abroad have not always kept pace with the needs of international tourism markets that are constantly changing.

For this reason, we need to promote our islands not only by the use of more modern and more convincing tools to appeal to the



various cultures and tastes of tourists from many different countries. We also need to make more effective use of contemporary means of digital communication which today play an important role to better position a country as a tourist destination.

### **Strategy for Comino**

If we really wish to preserve the distinct value that our tourism product derives from Comino, we must without any further delay address the challenges brought about mainly by the small size of this island and the ever increasing number of daily visitors which in July and August reaches up to some 5,000 persons.

Against this background, next year we shall reform the organisation of tourist activities on this island and the surrounding sea, in the context of a national plan for the preservation of the natural environment of the Maltese Islands.

After discussions with stakeholders, we plan to set up a working committee led by the Ministry of Tourism and that will include representatives of various entities and ministries so that for the first time, we can work together so that Comino will be given the status of a National Park. The committee would also oversee the implementation the Natura 2000 Management Plan for the island of Comino. <sup>xviii</sup>

## **Institute of Tourism Studies**

On the strength of an agreement with various local and international institutions, 2016 witnessed the launching of a process whereby, as of September 2017, students would be able to attend courses offered by the Institute in collaboration with these institutions that would lead to honours bachelor degrees.

A lot of work also took place in connection with the launching of a scheme in 2017 in collaboration with foreign entities so that skills acquired throughout the years by persons engaged in the field of hospitality and tourism will be validated. This would allow these workers to acquire accreditation certificates and make it possible for them to advance in their careers or further their studies at a higher level.

## **Contribution by tourists**

Following the introduction in 2016 of a tourist contribution of 50 cents for every night spent in our country, a trust will now be set up, consisting of government representatives and private interests, and tasked with identifying projects that could be financed through these contributions. These projects will be implemented by this new agency which will be responsible for the general upkeep of the Maltese Islands and also administer these funds.

In this way the private sector would be allowed a bigger role in the management and embellishment of the country.

## **The conference sector**

For the conference sector to remain a steady source of income to the economy, in 2017 we shall continue to implement an extensive project to upgrade services and facilities at the Mediterranean Conference Centre whilst at the same time endeavouring to generate new income streams.

## **Greater accessibility to our beaches and upgrading of the coastal product**

The Ministry of Tourism, the Foundation for Tourism Zones and Project Malta will jointly launch competitive processes so that private interests will enter into partnerships with Government for the provision of improved access to beaches through reversible interventions that leave no negative impact.

There will also be better management of our bays; a higher level of security in prominent tourism zones the upgrading of sanitary facilities; and a drive to ensure that standards of general cleanliness in the country will be given attention.

## **Incentives for the film industry**

The Ministry of Tourism and the Film Commission are working to improve the incentive package for film production and to attract more international production houses to film in Malta. This also

serves to market our country as a tourist destination in what is known as screen tourism.

We shall introduce other changes in the Malta Film Fund to make it more effective and to give added impetus to our indigenous film industry.

## **Justice Reforms**

Mr Speaker, as I have already mentioned, the organisation of a country's legal system is today regarded as a very important benchmark in the rating of the extent to which it is prepared to attract and to welcome investment. We fully acknowledge the importance of this benchmark.

Both because of this consideration as well as the fact that we want to ensure that our country functions within the rule of law according to a set of laws that respect the basic rights of every individual, we remain committed to carry on with the reform in the justice system that we embarked upon in the last three years.

The aim of the reform is clear; every citizen has the right to obtain a service from the courts that is just and that is seen and felt to be just, in a prompt manner and without undue delay. Our commercial community too has the right to a prompt resolution of conflicts that may arise from time to time.

The long list of reforms we have already carried out, even in the sphere of constitutional law, have led to better quality and to a marked swiftness in judicial proceedings and have strengthened the judiciary. However, more remains to be done.

In 2017 we shall be working on these main measures:

- emphasize the need for more prosecutions to be led by the Office of the Attorney General rather the Police Corps;
- set up an electronic register of companies and/or individuals declared insolvent;
- further strengthen mediation as an alternative method of conflict resolution; and
- add to the list of judicial acts that may be filed online.

In 2017 we shall furnish three new additional courtrooms in the Law Courts building bringing up the number of courtrooms to 27 and adding other infrastructural facilities such as a library and a new training room.

We shall seriously consider whether the time is ripe for our country to once again have a commercial section within the Civil Court.

We shall continue to strengthen the Legal Aid Agency and honour our pledge to appoint a permanent judge to serve in the Gozo Court.

We shall increase resources and upgrade existing facilities in the Family Court.

In 2017 we shall also extend the pilot project for a new computerised system in criminal proceedings.

### **Local Councils**

For Local Councils to have additional resources at their disposal, we remain committed to pass on to these Councils all the funds that would have been spent if elections were to be held in 2017. For this purpose we are proposing that, in the medium term, the annual allocations made available to Local Councils should reflect savings as a result of the fact that these elections will not be held.

### **Urban Improvement Fund and CPPS**

The Planning Authority will be placing funds in a dedicated fund, to be known as the Planning Fund, at the disposal of Local Councils to be used in regional areas where it is planned to carry out initiatives shared by several Councils. Persons, entities and Local Councils may apply for these funds for the embellishment of any locality and the Authority would finance up to 70 per cent of infrastructural costs.

## **Local enforcement**

The fact that we now have one central entity that regulates local enforcement – the Local Enforcement System Agency (LESA) – has led to a greater measure of care and attention in local enforcement management.

In 2017 LESA will further sustain its campaign in favour of driver training and improved standards of driving on our roads. The Agency will also act on the reform of penalties applicable for traffic law infringements in the sense that, in case of minor contraventions for one time only, a warning ticket would be issued instead of a fine. At the same time LESA will give greater attention to the enforcement of environmental regulations.

We shall step up our fight against drunk driving and enforce more discipline on drivers across the country. Following consultation we shall introduce a points system applicable for all drivers, while putting in place harsher penalties for drunk driving.

## **Monitoring of party financing**

Following the adoption of party financing legislation as part of the monitoring process, in 2017 a professional audit firm will be commissioned, in an independent manner, to scrutinise donations made to political parties.

## **Transparency in the appointment of authorities**

Following radical changes we have already made for stronger forms of good governance, this year we shall be piloting another law that would put in place more scrutiny over the appointment of chairpersons of major authorities and ambassadors with the full involvement of this Parliament.

## **Industrial relations**

After discussions with the social partners represented on the Industrial Relations Board, important amendments regarding labour legislation will come into force in the course of 2017.

2017 will be a year in which the Department of Labour, apart from continuing its fight against precarious work, will start making use of an updated electronic system, which is in the process of being developed, by means of which random inspections of places of work could be carried out more swiftly and efficiently.

In the context of the proposal of equal pay for equal work, in 2017 we shall launch wide-ranging consultations with all stakeholders involved, including those engaged in temporary work agencies, to collect complete data regarding the full implications of such a step which would place wages and working conditions of employees engaged by sub-contractors on the same level as those of regular workers at the same place of work.



## **Sick leave**

Government will launch a consultation process on the proposal whereby parents will be able to benefit from sick leave entitlement when their children are sick.

## **Financial assistance in case of fatal or grievous accident in the workplace**

In this context, I would like to recall our commitment to evaluate the possibility of the introduction of some form of insurance protection both for members of all discipline corps as well as other Government employees.

This measure will be put in place during 2017 and will apply to all employees in the public service.

Whilst Government will ensure that all its employees are provided with protective clothing, and are given proper training, appropriate to their job, in the unfortunate case where an employee, in the line of duty, suffers personal injury leading to permanent disability which would prevent any further gainful occupation or in the event of loss of life, Government will provide financial assistance to the employee or to the heirs, without the need to resort to legal action.

Details of this new measure will be made available to all public service employees in 2017.

## **New legislation in 2017**

Next year we shall be moving legislative bills relating to cohabitation and the prohibition of conversion therapy.

## **Donation of blood by gay donors**

In 2017 we shall make a further step towards a society that truly and really respects the sexual orientation of LGBTI persons when we shall launch a process of consultation regarding blood donations by homosexual persons.

## **Vote at 16**

After extending the right to vote to young people aged 16 in elections for Local Councils and Administrative Committees, the next step is to hold a consultation process to analyse with an open mind the extension of this right to European Parliament elections and national general elections.

## **Voluntary work**

In the field of voluntary work, through legislative amendments, we intend to further support this sector whilst at the same time introducing greater transparency and accountability.

In collaboration with the Malta Council for the Voluntary Sector, two centres were set up, one in Valletta and another one in

Qawra. In the beginning of 2017 two more centres will be opened, one in Rabat and another one in Marsaxlokk.

To further sustain and encourage voluntary work, we shall extend the stipend scheme for young persons who engage in voluntary work abroad.

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<sup>i</sup> It should be noted in this regard that after an evaluation of the loan operations that the Bank proposed to undertake, the capital resources and funds to be used to finance loans, the guarantee that would be extended by the Government to the Bank as well as the arrangements regarding governance and autonomy that Government was proposing for the Bank, Eurostat approved that the Bank would not be feature as part of the general Government and would not feature in public finances and government debt.

<sup>ii</sup> Much preparatory work has already been carried out on this proposal and consultations were held with banks operating in trade finance to ensure their backing and interest in an export credit scheme.

<sup>iii</sup> The higher the percentage of shares offered to the public, the higher would be the rebate on capital gains tax.

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<sup>iv</sup> The total investment in a private pension by a company will be considered as recurrent expenditure for the purpose of tax computation for that company.

Furthermore, the company will be allowed an additional tax credit of €150 for every €1,000 invested on behalf of its employees. This means in effect that for every €1,000 invested by a company on each employee, the financial impact on the company will amount to €500.

In order to allow an opportunity also to self-employed workers and to employers in small-scale enterprises to enrol their employees in their private pension schemes, we shall amend the rules on private pensions so as to make it possible for associations that represent specific business sectors to administer these collective pensions schemes on behalf of the employees of their members and small enterprises will benefit from the fiscal incentives mentioned above.

In addition, from an employee's perspective, this investment on his behalf by his employer will not be considered as a fringe benefit and, consequently, the employee will not be required to pay tax on this amount.

At the same time an employee will be allowed the possibility to invest in this scheme and upon doing so, will be allowed a tax rebate up to a maximum of €150 per year, according to the investment made. The incentive in the form of tax deduction linked to the Third Pillar Pension scheme will also continue to apply.

This means that in a traditional family where both the wife and the husband are in employment and both invest in a private pension scheme at their place of work as well as in the Third Pillar Pension, as a family they would benefit from a tax saving of up to a maximum of €1,100 per year.

The Government will consult with the social partners and with those involved in this sector on the introduction of this measure.

<sup>v</sup> After reaching agreement with Ablecare Oilfield Services Holdings Limited for the development of a maritime hub on the site of the former Marsa Shipbuilding site, in 2017 this major company in the oil and gas exploration sector will be implementing its plan to invest more than €50 million in this project.

<sup>vi</sup> As a first step to exploit our potential as an international logistics base, a public private partnership plan was drawn up for the development of an international logistics hub on a site of around 40,000m<sup>2</sup> in Hal Far with a total investment of €80 million. Thanks to this project, it is also planned to provide a significant improvement in groupage facilities in this site.

<sup>vii</sup> This fund, that will not exceed €100,000, is intended to help bridge the gap between lab studies and market development and provide financial support to researchers and entrepreneurs.

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<sup>viii</sup> To date, Malta Enterprise has approved the allocation to more than 27 companies of over 6,000m<sup>2</sup> of space in the Life Sciences Park. In 2017, Malta Enterprise will continue with its endeavours to attract more investment to the country in the field of research and development and there are good prospects that more companies will commence operations in this site.

<sup>ix</sup> Although the gaming sector in Malta is the second most important component of the Maltese economy, the Authority recognizes that the industry is not finding enough personnel with the required skills. With this in mind the Authority has felt the need of an academy or institute offering training in the necessary skills to persons wishing to work in this industry. For this purpose the European Gaming Institute of Malta will be set up to ensure high level training that would be recognised by the industry.

<sup>x</sup> it is estimated that in the first six months of 2016 the ICT sector in Malta contributed around 6.1% of all value added in the economy.

<sup>xi</sup> As part of this project, around 50 enterprises will be given assistance whilst it is expected that these expansions will create around 20 new jobs. In the coming months a call for tenders will be issued for works on this project.

<sup>xii</sup> In this project, vacant space in the Xewkija industrial zone known as il-Ħofra will be developed to house 15 new business workshops over a total area of 5,400m<sup>2</sup> for industrial activity whilst on a section of the site currently occupied by Malta Dairy Products a multi-purpose facility will be built to accommodate operations such as financial services, ICT, research and training, amongst other sectors. In all, around 25 enterprises are expected to benefit from this project, together creating around 150 new jobs.

<sup>xiii</sup> Now that the steel structure formerly housing the Dowty plant has been dismantled and work has been taken in hand to convert this site into a food manufacturing centre, a number of major companies in the sector have agreed to move to this zone over the coming months.

<sup>xiv</sup> It is believed that such a scheme would affect between 5 and 10 individuals.

<sup>xv</sup> The time required to establish a new business will be shortened to 3 days as of 1<sup>st</sup> January 2017. As from that date, shops and other commercial premises formerly requiring a trading licence under Subsidiary Legislation 441.07 will no longer need a licence to carry out their commercial activities. This shall also apply to those requiring a trading licence to carry out commercial activities in the premises of clients, in other words not from commercial premises. Thanks to this measure, businesses will collectively save more than €1.3 million per year. At the same time, all those who would like to open a new business will henceforth be only required to fill an online application.

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<sup>xvi</sup> Following wide public consultation, Government will implement changes in the opening hours of shops and other commercial premises. Whilst those already entitled to open on Sundays and public holidays will retain this right, other commercial premises will be allowed to open on Sundays whilst choosing another day of the week during which they would be obliged to remain closed for business. In this way a fair balance was found between commercial interests, the needs of consumers and protection of the employees concerned.

At the same time, as a new service to business and consumers, the Department of Trade will keep a register of business and their respective opening hours. This information would be available to the public by means of an app which would not only locate commercial premises on a Google map but would also give information about their opening hours.

<sup>xvii</sup> In the context of a Masterplan aimed at upgrading this zone, in 2017 the Foundation will be taking in hand the branding of Mriehel as a central business district and finding solutions for parking problems. The Foundation will also identify ways of financing the development of main roads and the repair of other roads in the area, including the conversion to eco-friendly lighting.

<sup>xviii</sup> All operators in Comino must operate within the set of agreed parameters. In order to ensure that all those involved will give their share and observe the agreement, it is planned to appoint a small number of environmental rangers.

After carrying out the necessary studies, we need to establish the island's carrying capacity without losing its charm and attraction. We also need to carefully manage visitor arrivals. We also need to introduce new and more efficient arrangements for the collection of environmental contributions that would underpin the management of the island.

## **HEALTH, SPORT AND CULTURE**

Our priorities in the health sector throughout this legislature are aimed at a reduction of waiting lists for operations and in emergencies; action on the problem of bed shortage, and a solution for out of stock medicines.

We have achieved these objectives successfully while we continued to improve access to and the quality of health services in all departments.

We also endeavoured to open the way for private investment by means of initiatives with investors that should lead to renewal and increased levels of sustainability in several areas of the national health service. I refer to the strong investment of €200 million in the Gozo General Hospital, St Luke's Hospital and Karin Grech Hospital.

We also promoted several public private partnerships so that, in collaboration with the private sector, we can offer a more efficient service.

At the same time direct private investment is taking place that complements our initiatives.

Our main goals for 2017 are to bring the health service closer to citizens while continuing to improve the quality of services on offer.

I refer to our tasks for 2017.

### **Primary care**

In order to expand primary care further, in 2017 we shall start works on the regional hub on the site formerly occupied by the Pace Grasso Ground in Paola and proceed with our upgrading programme in other health centres. In 2017 we shall be kick starting another project that will lead to a new health centre in Hal-Kirkop.

### **A new specialised mother and child hospital**

We shall also commence the necessary preliminary work that will lead to the setting up of a new specialised mother and child hospital in the coming years.<sup>1</sup>

### **Pharmacy of Your Choice Scheme**

Under the Pharmacy of Your Choice Scheme, the pilot project for the home delivery of medicines to patients who are over 70 years or who have mobility problems will be expanded in 2017 to include other localities.

In 2017 we shall also undertake to transport to patients in their own homes facilities and equipment for treatment that are too heavy or cumbersome for them to take directly to their dwellings.



## **Mental health**

We shall be looking at a model for the operation of a public private partnership in the field of mental health care that will lead towards improvements at Mount Carmel Hospital and a new hospital for acute psychiatric treatment.

By working jointly with NGOs, we shall continue to strengthen community support even in mental health care with the aim of increasing the range of services closer to citizens.

## **Mater Dei Hospital**

Another investment programme in medical equipment will be launched at Mater Dei Hospital so that this hospital will provide a more efficient quality service to the public.

After having successfully addressed waiting lists for surgical interventions, including hip and knee replacement, it is intended in 2017 to tackle vigorously other waiting lists, particularly in the outpatients department and in theatres.

We shall also commence works on the project for the extension of the car park.

## **The fight against diabetes**

In order to address the problem of diabetes, we shall continue to introduce new medicines in the government formulary list and introduce new types of insulin. Glucose sticks will also be given free to patients with Type 1 and Type 2 diabetes.

After the benefits to diabetic patients were curtailed by the previous administration in 2012, we shall introduce more benefits for these persons in 2017. Diabetic patients who are yellow card holders will start to benefit from free dental treatment; subsidies on spectacles; access to free antibiotics; as well as treatment for blood sugar levels.

This means the introduction of a more equitable system.

## **The fight against cancer**

The goal of our second plan against cancer up to 2021 is to reach a level of excellence in our service for cancer treatment by that year.

We are committed to continue investing in the fight against cancer. We shall therefore invest in more modern and more effective medicines. We shall also add new medicines against cancer on the government formulary list with the ultimate goal being that, over a number of years, the whole range of medicines against cancer would be free of charge.<sup>ii</sup>

Government will consult the social partners on the introduction of paid special medical leave, in addition to the statutory sick leave, to employees diagnosed with cancer who are undergoing treatment or some form of cancer therapy.

In line with steps taken by other developed countries, as of 1<sup>st</sup> January 2017 smoking in vehicles in the presence of children will be prohibited.

### **Addolorata Cemetery and Mellieħa Cemetery**

Under public private partnership arrangements, works will be taken in hand in 2017 on the extension of the Santa Maria Addolorata Cemetery and of the Sultana tal-Vittorji Cemetery in Mellieħa.

### **Sport**

Mr Speaker, a nation that practises – rather than merely loves – sport, is a healthier nation. For this reason in 2017 we shall undertake a number of initiatives aimed at bringing sport closer to the people.

### **Building of more swimming pools**

Works are due to start early in 2017 on the construction of an indoor pool in the Cottonera Sports Complex whilst a decision regarding the building of other similar facilities will be taken after

the completion of the study on another swimming pool in Marsascala.

In order to upgrade the National Swimming Pool at tal-Qroqq, in 2017 the pool deck will be replaced while the spectator stands will undergo maintenance.

### **Other facilities**

Extensive works will be carried out at the Marsa Sports Ground for the modernisation of existing facilities and for the use of these facilities for different sport disciplines.

It is also planned to extend facilities at Maria Assunta School in Ħamrun to cater for other disciplines including snooker, handball, table tennis, table football, basketball, darts and a jogging track.

Works will start in 2017 on a new sports complex in Santa Venera. It is also planned to modernize the Ta' Qali Sports Pavilion used by the Malta Basketball Association. We shall also work on the implementation of a new shooting range following a public call.

Conference facilities will be added to the Cottonera Sports Complex whilst in Marsascala, in addition to the swimming pool that I have already mentioned, we shall also build a new diving centre and a football pitch.

In 2017 we shall conclude the proposal for the project at the Marsa horse racing track which, in collaboration with private interests, would bring the track up to international standards.

Following a call for expressions of interest to study the possibility of a motor racing track, which generated much interest, in 2017 we shall take a decision about the next step in this project.

## **Culture**

We firmly believe that art and culture are essential to the process of national development; and in 2017 we shall continue to attach to this sector the importance that it deserves by means of the following measures.

### **National Fund for Excellence**

We plan to set up a National Fund for Excellence to be administered by the Malta Arts Council through which grants will be given to artists and professionals in the fields of culture and creativity.<sup>iii</sup>

## **Project for local theatres**

We shall endeavour to develop more than fifty local theatres around Malta and Gozo to enable them to be used for rehearsals and artistic productions. In this way private owners of these theatres will be able to plan any necessary structural renovations on their own and utilise their artistic potential. In this connection the aim is to set up an investment scheme so that these spaces, some of which are of historical importance, could be developed into spaces for artistic activity.

## **Valletta 2018**

Thanks to Valletta 2018 we shall be leaving for posterity a living legacy that will encourage generations of artists to develop their talents. It is my pleasure to announce that substantial progress has been made in the preparation of a cultural programme through fruitful collaboration between Government and private interests.

After many long years of neglect in our capital city, we shall go ahead with ongoing initiatives to embellish its cultural attractions in connection with Valletta 2018 and the regeneration of Valletta.

These include the New Arts Museum (MUŻA) at the Auberge d'Italie, the Valletta Design Cluster at the Old Abattoir, the regeneration of Strait Street, the Old Market, the rehabilitation of the Jesuits' Church, the New Museum of Contemporary Art, the

façade of the Manoel Theatre and the restoration of the facades of Palazzo Ferreria and Palazzo Castellania.

In addition to these works, we are planning other projects that are associated with the regeneration of the lower end of Valletta. A call for expressions of interest will be issued in 2017 for the private sector to submit proposals for the regeneration of the Fish Market and the building adjacent to Barriera Wharf, the Evans Building as well as the Examinations Centre near Fort St Elmo.<sup>iv</sup>

### **Preservation of the historical heritage**

Following the demerger of MEPA into two separate authorities, the role and functions of the Superintendence for Cultural Heritage to safeguard the country's historical heritage have gained in importance. For this purpose, in 2017 we shall allocate additional resources to the Superintendence to enable it to improve its operations.

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<sup>i</sup> Since the opening of paediatric emergency facilities at Mater Dei Hospital, twelve thousand children were treated during the first eight months of this year.

<sup>ii</sup> The possible introduction of a facility for clinical testing in Malta for new cancer drugs is under consideration.

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iii This initiative is intended to enable artists and professionals to follow training programmes for their continued professional development, including training programmes in cultural leadership.

In order to further develop the creative talents of our youths, we shall be launching programmes for young artists. Through these programmes, run by the Malta Arts Council, young artists will be able to develop creative projects and follow apprenticeship and mentoring courses so that in this way we would be assisting them to take up careers in the cultural and creative industries.

iv The intention in this regard is to change the current use of these buildings and give the private sector the opportunity to invest in these projects with the aim of generating more activity in the capital city.



## **FURTHER BUILDING AN INCLUSIVE SOCIETY**

Mr Speaker, I would like to conclude this Budget Speech in the same way that I started it, by making sure that the wealth that we create will reach everyone. In addition to the package of measures for financial assistance, the Government is implementing others initiatives by means of the provision of services, centres, programmes and other projects that will bring about an improvement in the quality of life of our families.

I shall start by mentioning the assistance that we will extend in the field of social housing.

### ***Housing Estates***

#### **New lifts and embellishment works in Government residential estates**

Towards the last quarter of 2017 the Housing Authority, with the assistance of European funds, will embark on an important project spread over six years to install lifts and carry out embellishment works in government housing estates. The embellishment and maintenance of common parts and the installation of lifts will be carried out in 211 buildings which house around 4,400 persons, including 1,200 elderly persons and 200 persons with disabilities. Apart from the buildings themselves, the embellishment works will also include surrounding areas where residents will have access to a better and more attractive neighbourhood.<sup>i</sup>

## **A €50 million social housing project**

In 2017 works will start on the construction of the first units in a massive €50 million project that I announced in my last Budget speech and which over a period of three years will result in a considerable number of new units for social accommodation.<sup>ii</sup>

## **A personal assistant to persons with disabilities**

We are giving consideration to the launching of a scheme that is intended to provide a personal assistant to persons with disabilities according to their needs. The scheme, based on that adopted by the Independent Living Institute in Sweden, will be open to persons of any age, with the cost of service provision being shared between Government and those who make use of it. The annual expenditure is estimated to reach just over €1 million.

## **Continuation of the *Soċjetà Ġusta* (Just Society) project**

We shall continue to promote the *Soċjetà Ġusta* project with the aim of establishing ten small homes in the community for persons with disabilities. These homes will give peace of mind to parents of persons with disabilities who worry about their children's future once they themselves pass away. So far we have established three such homes (in Siġġiewi; Victoria, Gozo; and Żurrieq) and next year we plan to complete several other homes.

## ***Assisting the Elderly***

### **Respite Service**

We shall introduce a respite service for carers who are informally but directly involved in the care of elderly persons in their own home. Through this service, every six weeks these carers will be given support in the form of a week's rest, up to a maximum of three rest periods per year. In this way we will ensure that these carers will have appropriate social support and will not suffer from social exclusion.

### **Meals on Wheels**

The tender for Meals on Wheels has been awarded and the waiting list is expected to be eliminated up by the end of the year. This development will come about thanks to an increase in the budget allocation for this purpose with the aim of further bolstering community services. Government has also taken steps to upgrade the quality of the meals provided and to reduce risks in connection with their distribution.

### **Project at the Ružar Briffa building**

With regard to care of the elderly, we shall concentrate works on the extension and upgrading of the Ružar Briffa building in St Vincent de Paule. The aim is to ensure that both inmates as well as staff will be able to live and work in an improved environment.

By means of this project the number of wards will go up to six, creating more space for new admissions to this centre.

### **Extension and modernisation of the Mtarfa Day Care Centre**

The Mtarfa Day Care Centre will be extended and modernised so as to offer increased facilities and improved accommodation for persons who make use of it during the week.<sup>iii</sup>

In this field we shall work not only on the refurbishing and embellishment of the ten existing day care centres for persons with disabilities, but also on the opening of another similar facility in the centre of Malta to make this service accessible to more persons who are in need of it.

### **Further work on the REACH Project**

In the meantime work has continued on the REACH project announced last year that will be established in Naxxar.<sup>iv</sup> This is a project that incorporates various services that are suitable for everyone, including persons with disabilities. This project is meant to continue to address the waiting list for the Support Agency, with professional services and a modern infrastructure designed according to the Universal Design concept.

## **Social welfare**

The Foundation for Social Welfare Services feels that supervised access to children by parents who do not reside with them, or by other members of the family, is of the utmost importance. These visits offer an opportunity to overcome arising difficulties and to improve relations between the parties concerned. For this purpose, the Foundation will enhance the service of supervised access by trained professionals and in a suitable location where children feel safer and better able to relate with their families in a healthy manner. On the other hand, parents will be better able to learn the skills needed to raise their children.

## **Safe Centre for Young Girls**

The Foundation will be setting up a Safe Centre for Young Girls which operates on a therapeutic system, with the aim of helping young girls with challenging behaviour that may be harmful to themselves and to persons around them and may lead them to fall foul of the law. Apart from being kept away from danger, at this Centre they would learn the skills that are necessary to live in society and fully participate in the community.

## **Sedqa pilot project**

Sedqa Agency, within the Foundation, will be rolling out a pilot project focused on couples, with minor children, who are going through the process of separation with the aim of better addressing their problems and needs in the light of the Positive Parenting Policy published by the Ministry for the Family and Social Solidarity. This programme, which is being undertaken in collaboration with the Ministry of Justice, Culture and Local Government, will address the needs of Maltese society in order to eliminate poverty and social exclusion as far as possible, particularly among children of couples in the process of personal separation.

## **Social fund for students in difficulty**

We shall set up a fund to improve the quality of life of students experiencing difficulties, not only to assist them in material living but also in the fields of culture and sport. The Ministry for Education and Labour and the Ministry for the Family and Social Solidarity are meant to collaborate with college principals and heads of schools to administer this fund in the best interests of students.

In its first year, we shall allocate the sum of €1 million for this fund.

## **The President's Foundation for the Wellbeing of Society**

Finally I would like to point out that with the co-operation of the President's Foundation for the Wellbeing of Society we shall also be in a position to help in reducing problems associated with particular aspects of social exclusion, such as the problem that arises when children, for one reason or another, leave school early.

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<sup>i</sup> The total cost of the project is estimated at over €23 million, 80% of which will be secured from the European Regional Development Fund. (ERDF)

<sup>ii</sup> In addition, an application was submitted for European funds to carry out upgrading and embellishment works in all the housing estates in the country over a span of five years. The proposed project includes the installation of hundreds of lifts in blocks with persons with mobility problems, an upgrade of common parts in apartment blocks as well as extensive landscaping work in the surrounding areas.

<sup>iii</sup> The project is expected to be completed over a period of three years and will cost around €9 million. The first two phases are due to be finished by the end of 2017.

<sup>iv</sup> All the preparatory work has been completed and an application for European Funds has been submitted.

## **CONCLUSION**

Mr Speaker, the budget I have just announced is based on responsible and prudent forecasts. Like the three preceding budgets we have built our proposals on realistic grounds. All our fiscal targets are reachable with the weight of public debt expected to fall below 60 per cent.

We budgeted not only for 2017 but also for the years that follow.

Gone are the days when the attractive sections of the budget remain merely on paper because they would be based on forecasts that would be totally off the mark.

I am pleased to say that under this government, this never happened nor will it ever happen.

This is the reason behind the Maltese Government's success in earning the trust of families, businesses and international financial and political institutions.

The 'A-' rating of our country awarded by Standard and Poor's reflected an upgrade for our country and not a downgrade. That is the difference.



At the same time, we rebuilt the country's economic sinews. We gave a new lease of life to thousands of unemployed young people and to thousands of persons who were dependent on social benefits, thousands of women who wanted, but were unable, to join the workforce, thousands of low income pensioners - many thousands who were left to fall by the wayside by our predecessors.

Mr Speaker, in this speech I have clearly shown that, despite all these successes, the best is yet to come. With a strong economy, our country can decide its own future.

By means of this budget we are making sure that prosperity will reach everyone.

Thank you.

**STATEMENT A**  
**REVENUE 2016 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

<b>HEAD</b>	<b>APPROVED ESTIMATE</b>	<b>REVISED ESTIMATE</b>	<b>VARIATION</b>	<b>REMARKS</b>
	€	€	+ - €	
<b>TAX REVENUE</b>				
Direct - Income Tax	1,206,700,000	1,246,000,000	39,300,000	Increase in Income Tax is expected mainly through enhanced enforcement, as well as in response to economic growth.
Social Security	785,700,000	798,000,000	12,300,000	Owing to a decline in unemployment and increase in gainfully occupied persons, it is expected that receipts will be higher than originally anticipated at the time of budget preparation.
Indirect - Customs and Excise Duties	283,980,000	284,420,000	440,000	Higher receipts are expected to materialise under <i>Import Duty - Ad Valorem</i> and <i>Cement</i> , although lower revenue is expected under <i>Machine-Made Cigarettes</i> and <i>Non-Alcoholic Beverages</i> .
Licences, Taxes and Fines	274,458,000	297,113,000	22,655,000	The revision to the original estimates results mainly due to higher revenue from <i>Duty on Documents</i> .
Value Added Tax	729,000,000	735,000,000	6,000,000	In response to economic growth, it is expected that higher receipts shall materialise under this heading by the end of the year.
<b>TOTAL TAX REVENUE</b>	<b>3,279,838,000</b>	<b>3,360,533,000</b>	<b>80,695,000</b>	

**STATEMENT A**  
**REVENUE 2016 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

<b>HEAD</b>	<b>APPROVED ESTIMATE</b> €	<b>REVISED ESTIMATE</b> €	<b>VARIATION</b> + - €	<b>REMARKS</b>
<b>NON-TAX REVENUE</b>				
Fees of Office	51,150,000	60,974,000	9,824,000	Increase over the original forecasts are expected mainly under the <i>Individual Investor Programme</i> .
Reimbursements	30,195,000	30,095,000	- 100,000	
Public Corporations	815,000	0	- 815,000	Following the conversion to a public limited company the Government permanent capital contribution and debentures were transferred into share capital and therefore the payment of this balance is no longer due.
Central Bank of Malta	50,000,000	50,000,000	-	
Rents	30,680,000	31,374,000	694,000	Higher receipts are expected mainly under <i>Rents of non-residential tenements</i> and <i>Payments for encroachment on Government property</i> .
Dividends on Investment	37,150,000	39,376,000	2,226,000	Higher dividends under this Head are expected to materialise from <i>Enemed</i> and <i>Libyan Arab-Maltese Holding Co. Ltd</i> .

**STATEMENT A**  
**REVENUE 2016 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

<b>HEAD</b>	<b>APPROVED ESTIMATE</b> €	<b>REVISED ESTIMATE</b> €	<b>VARIATION</b> + - €	<b>REMARKS</b>
Interest on Loans made by Government	356,000	358,500	2,500	-
Grants	99,468,000	81,402,000	-	18,066,000
Miscellaneous Receipts	33,592,000	29,775,431	-	3,816,569
				Although the original reimbursement forecasts of European Union funding are not expected to materialise in full by year end, the balance is expected to be received in 2017.
				Receipts under this Head of Revenue are expected to be lower than originally anticipated at time of budget preparation mainly under Sale of Government lands. This shortfall is expected to be compensated by higher revenue from <i>Proceeds from sale of MG stocks by auction, Concession Fees and</i> from refunds on deposits on accommodation in connection with the <i>CHOGM Summit</i> .
<b>TOTAL NON-TAX REVENUE</b>	<b>333,406,000</b>	<b>323,354,931</b>		<b>10,051,069</b>
<b>TOTAL REVENUE</b>	<b>3,613,244,000</b>	<b>3,683,887,931</b>	<b>70,643,931</b>	

**STATEMENT A**  
**REVENUE 2016 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

<b>HEAD</b>	<b>APPROVED ESTIMATE</b> €	<b>REVISED ESTIMATE</b> €	<b>VARIATION</b> + - €	<b>REMARKS</b>
<b>NON-ORDINARY REVENUE</b>				
Local Loans	600,000,000	600,000,000	-	
Repayment of loans made by Government	11,986,000	11,984,000	- 2,000	
Extraordinary Receipts	889,000	1,131,000	242,000	This amount represents proceeds received for the year through the transfer of Malta Public Transport Services.
<b>TOTAL NON-ORDINARY REVENUE</b>	<b>612,875,000</b>	<b>613,115,000</b>	<b>240,000</b>	
<b>GRAND TOTAL</b>	<b>4,226,119,000</b>	<b>4,297,002,931</b>	<b>70,883,931</b>	

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
1 Office of the President	3,868,000	4,314,000	446,000	-	Additional funding is projected mainly under the <i>Travel</i> and <i>Equipment</i> items of the Operational and Maintenance Expenses category.
2 House of Representatives	9,194,000	6,663,000	-	2,531,000	The reduction under this vote occurred mainly under <i>Rent</i> due to the timing of the new Parliament building handover.
3 Office of the Ombudsman	1,025,000	1,025,000	-	-	
4 National Audit Office	2,900,000	2,900,000	-	-	
5 Office of the Prime Minister	27,201,000	33,671,000	6,470,000	-	Higher expenditure than originally forecast is anticipated under the Operational and Maintenance Expenses category (mainly in respect of <i>Travel Information Services</i> and <i>Professional Services</i> ) and the Programmes and Initiatives category (mainly under <i>CHOGM 2015</i> and <i>EU-Africa Summit</i> ).
6 Public Service Commission	681,000	634,000	-	47,000	
7 Information	1,350,000	1,202,000	-	148,000	

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
8 Government Printing Press	1,434,000	1,335,000	-	99,000	
9 Electoral Office	2,099,000	2,012,000	-	87,000	
10 Government Property Division	5,275,000	7,181,000	1,906,000	-	Higher expenditure is expected under the category of Programmes and Initiatives to cover <i>Dues to Malta Investment plc</i> ., owing to timing of the new Parliament building handover.
11 Ministry for European Affairs & Implementation of the Electoral Manifesto	32,867,000	33,416,000	549,000	-	Additional funds are required under <i>Salaries and Wages</i> to cover Personal Emoluments of staff in post.
12 Ministry for Foreign Affairs	30,326,000	28,818,000	-	1,508,000	Savings are expected to be registered under the Personal Emoluments category ( <i>Salaries and Wages and Allowances</i> ).

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
13 Ministry for Education and Employment	242,364,000	252,922,000	10,558,000	-	Higher expenditure is expected under the Personal Emoluments category ( <i>Salaries and Wages</i> ) to cater for staff in post. Higher expenditure than originally budgeted is also anticipated under Programmes and Initiatives (mainly <i>Learning Support Assistants in Private Schools</i> ) and under Contributions to Government Entities (mainly under the <i>Foundation for Educational Services, Employment &amp; Training Corporation, Malta Council for Science and Technology and Commission for Higher Education</i> ).
14 Education	216,059,000	216,202,000	143,000	-	Additional funds are required under the Operational and Maintenance Expenses category (mainly <i>Transport</i> ).
15 Ministry for Sustainable Development, the Environment and Climate Change	66,303,000	65,056,000	-	1,247,000	Savings are expected to be registered under the Personal Emoluments category ( <i>Salaries and Wages</i> ) and through lower subvention required by the <i>Environmental and Resources Authority</i> in 2016.



**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
16 Ministry for Transport & Infrastructure	95,149,000	94,203,000	-	946,000	Part of the savings expected under the Personal Emoluments category ( <i>Salaries and Wages</i> ) will be utilised to compensate for an expected shortfall under the <i>Scrappage Scheme</i> in the Programmes and Initiatives category.
17 Ministry for Gozo	29,759,000	28,914,000	-	845,000	Savings are expected under the Personal Emoluments category ( <i>Salaries and Wages</i> ).
18 Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	12,043,000	12,990,000	947,000	-	Additional funding is required under the category of Personal Emoluments ( <i>Salaries and Wages</i> ) and <i>Assistance to Non-Governmental Organisations</i> under the Programmes and Initiatives category.
19 Industrial and Employment Relations	1,419,000	1,521,000	102,000	-	
20 Ministry for the Economy, Investment & Small Business	34,434,000	36,127,000	1,693,000	-	Additional funds are required under the Operational and Maintenance Expenses category (mainly <i>Information Services, Contractual Services</i> and <i>Professional Services</i> ).
21 Commerce	2,015,000	1,999,000	-	16,000	

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED	REVISED	VARIATION		REMARKS
	ESTIMATE	ESTIMATE	+	-	
	€	€	€	€	
22 Ministry for Finance	119,874,000	112,126,000	-	7,748,000	The decrease in the Programmes and Initiatives category under <i>EU Own Resources</i> ' cash payments was partly utilised to cover <i>Compensation Payments</i> occurring during the year.
23 Treasury	11,314,000	12,044,000	730,000	-	Expenditure under the Programmes and Initiatives category will be higher than originally forecast in view of <i>Interest Expenditure/SEPA Banking Charges</i> due by year-end.
24 Pensions	91,124,000	95,124,000	4,000,000	-	An increase in the Programmes and Initiatives category, mainly under <i>Pensions &amp; Gratuities</i> , is anticipated.
25 Public Debt	761,105,000	769,579,000	8,474,000	-	A decrease under <i>Interest (MGS and Treasury Bills)</i> shall partly compensate for additional funding under <i>Direct Loan Repayment</i> .
26 Inland Revenue	8,309,000	8,161,000	-	148,000	
27 V.A.T.	6,181,000	6,143,000	-	38,000	

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED	REVISED	VARIATION		REMARKS
	ESTIMATE	ESTIMATE	+	-	
	€	€	€	€	
28 Customs	11,287,000	11,190,000	-	97,000	
29 Contracts	1,999,000	1,692,000	-	307,000	Savings are expected to be registered under the Personal Emoluments category ( <i>Salaries and Wages</i> ).
30 Economic Policy	1,462,000	1,286,000	-	176,000	Savings are expected to be registered under the Personal Emoluments category ( <i>Salaries and Wages</i> ).
31 Ministry for Energy and Health	73,754,000	73,374,000	-	380,000	Savings are expected to be registered under the Programmes and Initiatives category ( <i>Eco Reduction and Hotel Energy Efficiency Scheme</i> ) and under <i>Engineering Resources Ltd</i> in the Contributions to Government Entities category, whilst additional funds under <i>Professional Services</i> in the Operational and Maintenance Expenses category, <i>Projects Malta</i> in the Programmes and Initiatives category and under <i>Water Services Corporation</i> in the Contributions to Government Entities category, need to be provided.

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED	REVISED	VARIATION		REMARKS
	ESTIMATE	ESTIMATE	+	-	
	€	€	€	€	
32 Health	466,889,000	495,226,000	28,337,000	-	Additional funding is required under the Operational and Maintenance Expenses category (mainly <i>Contractual Services</i> ). Higher expenditure is expected in the category of Programmes and Initiatives mainly under <i>Special Treatment by Foreign Experts, Medicines &amp; Surgical Materials, Pharmacy of Your Choice and Medical Beds at Gozo General Hospital</i> . An increase is expected under <i>Karen Grech Rehabilitation Centre</i> , partly compensated by savings under <i>Waiting Lists for Medical Services</i> and <i>National Diabetes Strategy</i> .
33 Ministry for the Family and Social Solidarity	59,917,000	60,805,000	888,000	-	Increase in expenditure was registered under the Contributions to Government Entities category mainly <i>Sedqa, Appogg</i> and <i>Housing Authority</i> , partly compensated by savings in the Programmes and Initiatives category mainly under <i>Residential Home for Disabled</i> and the <i>Assistance to Help the Elderly Live Independently</i> .
34 Social Policy	269,825,000	273,797,000	3,972,000	-	The excess is mainly due to an increase in the <i>State Contribution in terms of the Social Security Act, 1987</i> under the Programmes and Initiatives category in reflection of higher social security contributions to be received in 2016.

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED	REVISED	VARIATION		REMARKS
	ESTIMATE	ESTIMATE	+	-	
	€	€	€	€	
35 Social Security Benefits	898,700,000	895,300,000	-	3,400,000	Savings are expected under the Contributory Benefits category, mainly <i>Invalidity Pensions</i> and <i>Bonus</i> together with savings under Non-Contributory Benefits category mainly <i>Children's Allowance</i> , <i>Social Assistance</i> (incl. <i>In-work Benefit</i> ) and <i>Bonus</i> . On the other hand, additional funding is required under the Contributory Benefits category ( <i>Retirement Pensions</i> and <i>Widows Pensions</i> ) and under the Non-Contributory Benefits category ( <i>Old Age Pensions</i> and <i>Disability Pensions/Allowance</i> ).
36 Social Welfare Standards	1,232,000	1,152,000	-	80,000	
37 Elderly and Community Care	88,025,000	91,575,000	3,550,000	-	An increase in expenditure is expected under the Operational and Maintenance Expenses category (mainly in <i>Contractual Services</i> ).
38 Ministry for Justice, Culture and Local Government	37,906,000	39,477,000	1,571,000	-	Higher expenditure is expected under the category of Programmes and Initiatives.
39 Judicial	13,956,000	13,649,000	-	307,000	Savings are expected to be registered under the Personal Emoluments category ( <i>Salaries and Wages</i> ).

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED	REVISED	VARIATION		REMARKS
	ESTIMATE	ESTIMATE	+	-	
	€	€	€	€	
40 Local Government	40,286,000	40,097,000	-	189,000	Savings are expected to be registered under the Personal Emoluments category ( <i>Salaries and Wages</i> ).
41 Ministry for Tourism	50,791,000	63,056,000	12,265,000	-	Additional funding is required under the Personal Emoluments category ( <i>Salaries and Wages</i> ), and under Operational and Maintenance Expenses category due to <i>Contractual Services</i> and <i>Professional Services</i> . In the Contributions to Government Entities category an increase is expected under the <i>Malta Tourism Authority</i> .
42 Ministry for Home Affairs and National Security	16,777,000	14,646,000	-	2,131,000	Savings are expected to be registered under the Programmes and Initiatives category ( <i>Detention Service</i> ).
43 Armed Forces of Malta	45,946,000	46,771,000	825,000	-	Increased funding is required under the Personal Emoluments category (mainly in the <i>Salaries and Wages and Allowances</i> ), and under the Operational and Maintenance Expenses category, mainly under <i>Incidental Expenses</i> .
44 Police	59,084,000	57,484,000	-	1,600,000	Savings are expected under the Personal Emoluments category ( <i>Salaries and Wages</i> ).

**STATEMENT B**  
**RECURRENT EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED	REVISED	VARIATION		REMARKS
	ESTIMATE	ESTIMATE	+	-	
	€	€	€	€	
45 Correctional Services	10,935,000	11,913,000	978,000	-	Higher expenditure is expected under the Personal Emoluments category for <i>Overtime</i> to cover staff in post according to requirements.
46 Probation and Parole	1,078,000	1,089,000	11,000	-	
47 Civil Protection	5,682,000	5,579,000	-	103,000	
<b>TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING</b>	<b>3,971,203,000</b>	<b>4,035,440,000</b>	<b>64,237,000</b>	<b>-</b>	

**STATEMENT C**  
**CAPITAL EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
I Office of the President	217,000	217,000	-	-	
II Office of the Prime Minister	10,945,000	11,081,000	136,000	-	Higher expenditure is anticipated mainly under <i>ICT and Improvements to Buildings</i> . Lower expenditure under <i>Refurbishment Works at LAID and Improvements to Buildings</i> at Government Printing Press.
III Ministry for European Affairs and Implementation of the Electoral Manifesto	70,551,000	54,636,000	-	15,915,000	Lower expenditure is envisaged mainly under <i>EU Internal Security Fund - Borders and Visa, EU Internal Security Fund - Police, Asylum and Migration Fund and EU Structural Funds 2014-2020</i> . Higher expenditure is anticipated under <i>External Borders Fund, European Refugee Fund III and European Fund for the Integration of Third Country Nationals</i> .
IV Ministry for Foreign Affairs	1,582,000	1,809,000	227,000	-	Higher expenditure projected under <i>Construction and restoration works</i> , mainly on Foreign Consulates.
V Ministry for Education and Employment	33,051,000	38,463,000	5,412,000	-	Expenditure is anticipated to be higher mainly under <i>ICT, EU Structural Funds 2014-2020, Improvements to Buildings, Explora and ENIAC - Industrial Project Lab4MEMS</i> which will be partly offset by lower expenditure than planned mainly under <i>EU Structural Funds 2007-2013 and Information Technology in Government Schools</i> .



**STATEMENT C**  
**CAPITAL EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
VI Ministry for Sustainable Development, the Environment and Climate Change	40,722,000	36,988,000	-	3,734,000	Additional expenditure is envisaged mainly under <i>ICT, EU Cohesion Fund 2007-2013, EU Fisheries Fund, EU Agricultural Fund For Rural Development 2007-2013, Direct Centrally Managed Funds and Upgrade of Argotti Gardens (transferred from MTI), WasteServ Malta Ltd, Upgrading of Facilities and Equipment (Fisheries and Aquaculture)</i> . Lower expenditure is anticipated under <i>Life+ Programme, European Maritime and Fisheries Fund 2014 - 2020, EU Agricultural Fund for Rural Development 2014-2020 and Ta' Qali Pitkali Centre</i> .
VII Ministry for Transport and Infrastructure	75,335,000	69,293,000	-	6,042,000	Higher expenditure under this Vote is expected mainly under <i>EU Structural Funds 2007-2013, EU Cohesion Fund 2007-2013, Roads and Malta-Gozo link feasibility study</i> . This is compensated by lower expenditure which is expected primarily under <i>EU Cohesion Fund 2014-2020, Grand Harbour Regeneration Corporation, Relocation of Works Department premises, Energy Efficiency H2020, Deep Water Quay, Restoration of Triton Fountain and Upgrading of Argotti Gardens (Transferred to MSDEC), Malta-Gozo link feasibility study</i> .
VIII Ministry for Gozo	6,364,000	5,418,000	-	946,000	Higher expenditure is expected under <i>EU Structural Funds 2007-2013 and Home for the Elderly</i> . Lower expenditure is envisaged mainly under <i>Eco-Gozo, SME Village, Mooring System at Xlendi Bay</i> and Law Courts.

**STATEMENT C**  
**CAPITAL EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

<b>VOTE</b>	<b>APPROVED ESTIMATE</b> €	<b>REVISED ESTIMATE</b> €	<b>VARIATION</b> + - €	<b>REMARKS</b>
IX Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	1,671,000	1,260,000	- 411,000 €	Higher expenditure projected mainly under ICT will be offset by lower expenditure anticipated under <i>Civil and generation works</i> (Consultative Council for the South) and, <i>Works and Equipment at Laboratories (National Centre for Scientific and Quality Affairs)</i> .
X Ministry for Economy, Investment and Small Business	32,579,000	36,547,000	3,968,000 -	Although lower expenditure is anticipated under <i>Private and Gated Estates, Taxi Way at Saffi Aviation Park and Improvement to buildings</i> at Commerce, the overall expenditure under this Vote is expected to be higher mainly due to additional funds required for <i>ICT, e-Government, Digital Outreach Programme, EU Structural Funds 2007-2013 and Investment Incentives</i> .
XI Ministry for Finance	44,392,000	43,032,000	- 1,360,000	Higher expenditure anticipated mainly under <i>EURO Currency</i> is compensated by lower expenditure mainly under <i>ICT Corporate Projects, Public Finance Management System and Hercule III Programme 2014-2020</i> .
XII Ministry for Energy and Health	28,164,000	25,538,000	- 2,626,000	Higher expenditure envisaged under EU Structural Funds 2007-2013, and <i>Construction works and equipment at Gozo General Hospital</i> will be offset by lower expenditure anticipated mainly under <i>EU Cohesion Funds 2007-2013, Regeneration Works, Integrated Health Information Systems, Centralised Stores and Oncology Hospital</i> .

**STATEMENT C**  
**CAPITAL EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
XIII Ministry for Family and Social Solidarity	5,358,000	5,680,000	322,000	-	Higher expenditure is projected under <i>Improvements to building and Restoration works at Palazzo Ferreria</i> . Lower expenditure is anticipated mainly under <i>Fund for the European Aid to the Most Deprived and Construction/ Management of shared semi-independent Town Centre</i> .
XIV Ministry for Justice, Culture and Local Government	10,162,000	9,317,000	-	845,000	Additional expenditure required under <i>ICT (New Projects), EEA/Norwegian Financial Mechanisms 2009 - 2014</i> and <i>Design Cluster</i> . Lower expenditure than originally anticipated is expected to materialise mainly under <i>EU Structural Funds 2007-2013, Restoration of Forts, Fortifications and Historical Places, Carnival Village and National Monuments</i> .
XV Ministry for Tourism	6,707,000	15,248,000	8,541,000	-	Higher expenditure is projected under the <i>EU Structural Funds 2007-2013, Film Industry Incentives (Subvention) and Relocation of Malta Tourism Authority</i> while lower expenditure is anticipated mainly under <i>Institute of Tourism Studies</i> .

**STATEMENT C**  
**CAPITAL EXPENDITURE 2016: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES**

<b>VOTE</b>	<b>APPROVED ESTIMATE</b> €	<b>REVISED ESTIMATE</b> €	<b>VARIATION</b>	<b>REMARKS</b>
		+	-	
		€	€	
XVI Ministry for Home Affairs and National Security	23,540,000	25,130,000	1,590,000	-
				Additional expenditure under this Vote, mainly under <i>EEA/Norwegian Financial Mechanisms 2009 - 2014</i> , <i>Research and Development - Equipment</i> , National Risk Assessment and Armed Forces of Malta, is compensated by lower expenditure envisaged under <i>ICT (New Projects)</i> , <i>National Identity Management Systems</i> and Civil Protection.
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>391,340,000</b>	<b>379,657,000</b>	<b>-</b>	<b>11,683,000</b>

