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BUDGET SPEECH
2019

EDWARD SCICLUNA
MINISTER FOR FINANCE



Ministry for Finance

Budget Speech

2019

The Hon. Prof. Edward Scicluna
Minister for Finance
Malta
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1. INTRODUCTION

Mr Speaker,

This is the second budget of the new legislature, which began in June last year, when the people of Malta and Gozo once again confirmed their trust in this Government with another historic win for the Labour Government. This is also the seventh budget since 2013, which I am presenting.

From the very beginning, this Government was steadfast in its vision to see our country ranked among the best countries in the European Union, both in economic terms and in terms of a more just and merciful society. We have created a strategy, laid out a plan and worked ceaselessly in order to make this happen in the shortest period of time possible.

It is my honour and pleasure to say that this vision has not only become a reality, but has become so widely accepted that it is being taken for granted.

Year after year, month after month, we continue to achieve more positive results. This can be seen in: the economic growth, increase in employment, reduction in unemployment, including youth unemployment, surplus in the fiscal balance, and in the country's external trade balance, an increase in investment by Maltese people as well as foreigners, more innovation, higher private consumption, an

increase in exports and in the tourism sector, including an increase in the number of flight routes to Malta, the lowering of the national debt and the creation of a sizeable Fund with the purpose of social investment for our children.

This contrasts greatly with other European countries, where Malta is often ranked in first place, as well as, with the none too stable situation prior to 2013, where Malta was subject to the European Union's excessive deficit procedure, as well as, another procedure due to macroeconomic instability.

Mr Speaker, each of this Government's budgets, including this one, is a link in a chain of progress, but is also, in itself, the commencement of a new phase. Therefore, it is good that before going ahead, we stop and take a look at where our country is today, where the Maltese family is today.

Chances are that in many families today, one can find members that up until recently were unemployed, for one reason or another. Nowadays, they are gainfully employed. Most of these people were women or youths who have benefitted from budgetary measures including free Child Care, the Breakfast Club, Afternoon School Services, the Maternity Leave Fund, and fiscal incentives in the case of women, as well as, specialised training and apprenticeship schemes for young people, so that at any given time,

they can be either in an educational institution, engaged in on-the-job training, or in employment.

Low-income families now have the opportunity to enter the tapering programme, benefit from the In-work Benefit and where applicable, from social benefits such as rent subsidies. These measures have led us to achieve the highest historical labour force participation rate ever registered in our country, of 71 per cent. This is why, at the same time, we have attained an unprecedented decrease in the number of people looking for work and in the number of people on social aid. At the same time, we sheltered and supported those who due to illness or disability cannot enter the labour force, low-income families, the elderly and pensioners. This led to a substantial decrease in poverty, with the percentage of families suffering from material deprivation falling from 20 per cent in 2012 to 8 per cent in 2017.

This did not happen by chance.

It is fine and normal that when a family reaches higher standards of living, they start raising their expectations, cherishing more than ever their health, the investment in the education of their children, the cleanliness of the environment surrounding them and above all, a higher quality of life.

That is why, Mr Speaker, with a strong economy that is leaving more money in the pockets of families and with sustainable public finances, we will be introducing measures aimed at continuing to improve the quality of life for our families.

During all this, the Government will ensure that public finances remain sustainable by continuing to register, for a third year, a surplus in the public finances. At the same time, the Government will keep its promise to decrease the burden of taxes on Maltese and Gozitan families, so much so, that this budget, for the second year in a row, will not introduce any new taxes, direct or indirect.

1.1 The economic and financial context

Mr Speaker, during the year 2017, the Maltese economy grew by 6.7 per cent in real terms, while in the first six months of this year, it grew by 5.4 per cent. This compares very well with the average growth rate of 2.2 per cent registered in the European Union.

During the first half of this year, this growth was primarily driven by consumption and investment. Private consumption increased by 6.0 per cent. In a year's time, this translates to a substantial increase of €700 million with half of the increase going in wages and salaries and the other half in company profits.

Economic growth continued to be diversified during the first half of this year, as all sectors, including manufacturing and retail, registered increases in the Gross Value Added.

All throughout last year, the labour market in our country remained dynamic, with a record increase in employment. In fact, the number of people who were employed exceeded the 200,000 mark, while when it came to unemployment, we registered a record low rate of 3.8 per cent in August, while youth unemployment fell to 8.8 per cent in the same period.

The private sector continued to be the primary driver of employment, generating 90 per cent of new jobs.

We continued to achieve success even in the external trade sector, where the country's current account registered a surplus of 12.8 per cent of the Gross Domestic Product (GDP) in the second quarter of the year.

Mr Speaker, I would now like to look at our country's public finances (see tables 1.1, 1.2. and 1.3).

I confirm that according to the latest statistics, this year will be the third consecutive year which will end with a surplus in the fiscal balance.

The same applies when it comes to the Public Debt. We have not only reached our target of lowering it to below 60 per cent, but we have gone beyond it, so much so that debt is now approaching 47 per cent of the Gross Domestic Product.

This way, we are continuing to ensure the sustainability of the country's public finances.

1.2 The economic and fiscal projections

The International Monetary Fund revised its outlook for global growth downwards to 3.7 per cent. This reflects the negative risks and uncertainties present in international business, due to the introduction of tariffs and Brexit.

The economies of the European Union and the Eurozone are expected to grow by 2.0 per cent. This is due to the same uncertainties and risks that we have just mentioned.

For our country, we predict that economic growth will remain strong, with a growth rate of 5.3 per cent in real terms, and 7.7 per cent in nominal terms. Growth is expected to continue to be driven by an 8.4 per cent increase in investment and a 4.1 per cent increase in private consumption. This will lead to a 3.7 per cent increase in employment and

an expected low unemployment rate of 4.3 per cent. The inflation rate is expected to be 1.9 per cent.

In the international trade sector, we predict a 2.2 per cent growth in exports for next year. This growth reflects the expected increase in exports from various sectors, which include, amongst others, the financial sector, the gaming sector and the tourism sector.

For 2019, we are predicting another surplus of 1.3 per cent, while the burden of debt is expected to continue decreasing to 43.8 per cent of the Gross Domestic Product.

Table 1.1

FISCAL POSITION 2017 - 2021

	2017 Actual € '000	2018 Revised € '000	2019 Estimates € '000	2020 Estimates € '000	2021 Estimates € '000
Consolidated Fund					
Tax Revenue	3,829,267	4,212,653	4,571,845	4,878,917	5,152,129
Non-Tax Revenue	461,898	414,155	441,968	444,516	387,320
Total Revenue	4,291,165	4,626,808	5,013,813	5,323,433	5,539,449
Recurrent Expenditure	3,543,268	3,880,278	4,119,335	4,297,831	4,509,893
Capital Expenditure	350,175	525,600	662,028	683,327	604,440
Primary Balance	397,722	220,930	232,450	342,275	425,116
Interest Payments	215,051	204,330	199,107	191,175	195,016
Recurrent Surplus	532,846	542,200	695,371	834,427	834,540
Consolidated Fund Surplus	182,671	16,600	33,343	151,100	230,100
Financing					
Direct Loan Repayments	(372,932)	(391,694)	(437,227)	(461,583)	(462,502)
Early Repayments of MGRSB	-	(650)	(1,500)	(1,500)	(1,500)
Contributions to Sinking Funds - Local	(3,261)	(1,631)	-	-	-
Contributions to Sinking Funds - Foreign	(1,663)	(57)	(50)	(50)	(50)
Contributions to Special MGS Sinking Fund	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Equity Acquisition	(71,441)	(65,850)	(10,565)	(100)	(100)
EFSF / ESM Credit Line Facility	0	(4,489)	(4,500)	(4,500)	(4,500)
Repayment of Loans to Government	0	2	2	2	2
Sinking Funds of Converted Loans	---	91,000	-	---	---
Sale of Shares / Assets	889	889	889	889	889
Public Sector Borrowing Requirement	(498,408)	(422,480)	(502,951)	(516,842)	(517,761)
Foreign Loans	(315,737)	(405,880)	(469,608)	(365,742)	(287,661)
Consolidated Fund balance as on 1 January	(108,168)	(66,496)	(172,376)	(191,984)	(207,726)
Local Loans	357,409	300,000	450,000	350,000	300,000
Consolidated Fund balance as on 31 December	249,241	233,504	277,624	158,016	92,274
	(66,496)	(172,376)	(191,984)	(207,726)	(195,387)
Consolidated Fund Surplus	182,671	16,600	33,343	151,100	230,100
General Government Adjustments	210,046	110,400	131,657	57,900	33,900
General Government Surplus	392,717	127,000	165,000	209,000	264,000
Gross Domestic Product	11,139,698	11,998,572	12,923,943	13,833,904	14,746,942
General Government Surplus as a % of Gross Domestic Product	3.5%	1.1%	1.3%	1.5%	1.8%

Table 1.2

STATEMENT OF PUBLIC DEBT

	2017	2018	2019	2020	2021
Malta Government Stocks	4,976,961	4,732,230	4,741,449	4,618,330	4,436,478
Malta Government Retail Savings Bonds	99,624	192,500	191,000	189,500	188,000
Treasury Bills	177,000	285,000	304,608	320,350	308,011
Foreign Loans	8,952	1,088	965	841	716
EBU's / Local Councils	158,683	154,806	154,806	154,806	154,806
Currency	78,202	87,888	96,056	105,857	117,619
EFSS (Debt Re-Routing)	171,189	171,189	171,189	171,189	171,189
General Government Public Debt	5,670,611	5,624,701	5,660,073	5,560,873	5,376,819
Gross Domestic Product	11,139,698	11,998,572	12,923,943	13,833,904	14,746,942
Debt as a % of Gross Domestic Product	50.90%	46.88%	43.80%	40.20%	36.46%

Table 1.3

FISCAL POSITION 2017 - 2018

	2017		2018			
	Actual € '000		Approved € '000		Revised € '000	
Consolidated Fund						
Tax Revenue	3,829,267		3,965,935		4,212,653	
Non-Tax Revenue	461,898		384,115		414,155	
Total Revenue		4,291,165		4,350,050		4,626,808
Recurrent Expenditure		3,543,268		3,686,744		3,880,278
Capital Expenditure		350,175		472,589		525,600
Primary Balance	397,722		190,717		220,930	
Interest Payments		215,051		212,117		204,330
Recurrent Surplus	532,846		451,189		542,200	
Consolidated Fund (Deficit)		182,671		(21,400)		16,600

<i>Financing</i>						
<i>Direct Loan Repayments</i>	(372,932)		(391,694)		(391,694)	
<i>Early Repayments of MGRSB</i>	---		(3,500)		(650)	
<i>Contributions to Sinking Funds - Local</i>	(3,261)		(1,631)		(1,631)	
<i>Contributions to Sinking Funds - Foreign</i>	(1,663)		(57)		(57)	
<i>Contribution to Special MGS Sinking Fund</i>	(50,000)		(50,000)		(50,000)	
<i>Equity Acquisition</i>	(71,441)		(2,600)		(65,850)	
<i>EFSF / ESM Credit Line Facility</i>	0		(4,500)		(4,489)	
<i>Repayment of Loans to Government</i>	0		2		2	
<i>Sinking Funds of Converted Loans</i>	---		90,000		91,000	
<i>Sale of Shares / Assets</i>	889		889		889	
		(498,408)		(363,091)		(422,480)
<i>Public Sector Borrowing Requirement</i>		(315,737)		(384,491)		(405,880)
<i>Foreign Loans</i>		---		---		---
<i>Consolidated Fund balance as on 1 January</i>	(108,168)		(101,227)		(66,496)	
<i>Local Loans</i>	357,409		350,000		300,000	
		249,241		248,773		233,504
<i>Consolidated Fund balance as on 31 December</i>		(66,496)		(135,718)		(172,376)

Consolidated Fund Surplus / (Deficit)		182,671		(21,400)		16,600
General Government Adjustments		210,046		75,400		110,400
General Government Surplus		392,717		54,000		127,000
Gross Domestic Product		11,139,698		11,572,870		11,998,572
General Government Surplus as a % of Gross Domestic Product		3.5%		0.5%		1.1%

2. THE DISTRIBUTION OF WEALTH

Mr Speaker, this is a Government that fulfils its promises. This applies to the distribution of wealth as a result of economic growth. This budget will continue to demonstrate how prosperity will reach everyone.

2.1 The Cost of Living Adjustment

The Cost of Living Adjustment, which is calculated according to a formula agreed on by all social partners within the MCESD, reflects an inflation rate of 1.08 per cent for the established period. The increase for next year will be €2.33 per week. This increase will be given to all employees, as well as pensioners and those on social benefits. Students will be benefitting from this adjustment *pro-rata*, so that stipends will increase once again.

2.2 An additional day of vacation leave

During this year, we started implementing the electoral promise to give back to the workers the public holidays that fall on a weekend, which others took from them without consultation. Therefore, during next year, we will add another day of vacation leave.

2.3 Salary adjustment for employees earning Minimum Wage

Last year, a historical agreement was reached between the Government and social partners, unions, as well as employers, on how the National Minimum Wage should be supplemented.

This agreement stipulated that employees on the minimum wage should receive a raise after a year of employment with the same employer. The employee is entitled to an increase of €3 a week during the second year of employment and an additional €3 per week in the third year of employment. Employees earning more than the basic minimum wage will be entitled to a part of the raise in the second and third year of employment.

This means that all workers earning minimum wage in 2017 will this year be given a raise of €3 per week and next year will be given another raise of €3 per week.

2.4 Increase in the Children's Allowance for families with an income under €20,000

Mr Speaker, for the first time in 11 years (and in certain cases in 23 years), we will be increasing Children's Allowances to families with a gross income of less than €20,000 per year.

The highest rate of Children's Allowance will rise to reach a maximum of €96 per year for each child. It is estimated that in total, 24,600 boys and girls from 16,500 families will benefit from this increase. This measure will cost €2 million per year. More information is available in Table 2.1.

2.5 Further reduction in taxes for all employed persons

Last month, we started fulfilling the promise we made to continue reducing taxes on work. I have the pleasure of announcing that the tax refund that was given this year will once again be given next year. This measure will cost Government €11.5 million and over 200,000 people who are in the labour market will benefit from it. (See table 2.2)

2.6 Adjusting the tax exemption cap for single persons

Employees who are registered as "single persons" for tax purposes and whose income coming from part-time jobs exceeds the €9,100 ceiling, but does not exceed the minimum wage will not be taxed anymore.

This measure is aimed at addressing an anomaly.

2.7 Self-employed persons with a new right to compensation in case of unemployment

We will amend the Social Security law so that for the first time in our country, self-employed persons who for some reason have to cease their activity and start registering for work, will start having the right to receive unemployment benefits according to the contributions that they have paid.

In this way, we will be removing the discrimination that exists between employees and people who are self-employed.

2.8 Benefits for members of the security forces in the case of accidents on the workplace

Throughout the past year, work has been carried out on a regulatory framework to introduce a number of benefits that will be given to all members of the security forces who work in the public sector.

These benefits will be given in the case of a fatal accident or a permanent disability which prohibits the individual affected from working.

I am pleased to announce that further details about these benefits and how they will be introduced will be given to the employees concerned after the final consultations are carried out.

2.9 Increase in Medical Assistance

As of next year, we will be increasing the non-contributory Medical Assistance by €5.14 per week for married couples who are both suffering from chronic illness and receiving this Assistance.

This increase comes as a result of the difference in the rates paid, which persists to this day, between the first adult and the second adult. This way, each adult in the family receives the same amount of money. The people who will benefit most from this measure are elderly couples who both suffer from chronic illness and are thus eligible.

2.10 Increase in pensions

Mr Speaker, I will now focus on pensions. While they were forgotten for the entirety of 25 years, in the past three years we have introduced various measures for a wide range of pensioners which has resulted in pensions starting to be increased once again.

Mr Speaker, next year, for the fourth year in a row, we will be raising pensions once again.

In 2019, we will be giving an increase of €2.17 to all social security pensions, namely retirement pensions, widows pensions, invalidity pensions, as well as, old age pensions. This increase will be apart from the

Cost of Living Adjustment increase. This way, each pensioner will be receiving an increase of €4.50 per week.

More than 92,000 pensioners will be benefitting from this measure. This measure will cost €10 million.

2.11 Increase in the tax exemption cap on pensions

Once again, we will be increasing the tax exemption cap on the maximum income for pensions, so that the increase in pensions, including the COLA increase, will not be taxed. The cap will be increased to €13,434 (See table 2.3.).

2.12 Service pensions

As has been done in previous years, about 4,500 service pensioners will once again receive another €200 raise to their service pension amount, which is deducted from the social security pension, so that the total exempted will go up to €2,466.

However, Mr Speaker, this time we will not stop here. One of the electoral promises we had made was to continue improving service pensions by exempting entirely from the social security pension the part of the pension that had been commutated in order to receive the lump sum.

As of next year, as a first step towards the fulfilment of this electoral promise, pensioners who receive a service pension and who are 72 years old or older, or who will reach this age next year, will have their social security pensions revised. This way, instead of exempting half the amount of the service pension that had been commutated, as of next year, 75 per cent of the amount commutated will be exempted.

In the first year of the fulfilment of this measure, it is estimated that around 2,200 pensioners will start benefiting from an average increase of around €11 per week in their social security pensions. As time goes by, more service pensioners will be benefitting from this measure, especially those who receive a lower service pension than others.

2.13 €300 annual grant

The €300 annual grant given to the elderly aged 75 years and over and are still living in their home, will again be provided in 2018. More than 29,000 elderly men and women benefit from this grant, which costs €9 million.

2.14 Bonus for those who paid contributions but do not receive a pension

In the 2014 budget, we introduced for the first time a bonus that started being paid out each year to a number of persons, mostly women who did

not pay enough contributions to qualify for a minimum pension. From the 1st of January onwards, we will be increasing this bonus by €50. This way, those who paid more than a year's contributions, but fewer than 5 years' contributions, will see their bonus increase to €200, while the bonus for those who paid more than five years' contributions will increase to €300 per year. Around 12,500 people will benefit from this measure.

2.15 Further incentives for people to remain in the workforce

Three years ago, we introduced an incentive to encourage people to continue working beyond their retirement age, by increasing the pension they would receive when they turn 65 years old. This incentive was available to the private sector.

From next year, this incentive will gradually be extended to public sector employees, as long as the employee requests it and the employer gives their consent.

2.16 Past injustices will continue to be addressed

Mr Speaker, over the past two years I have established a fund which can be used to pay for anomalies which may have been created over the years due to changes in the pensions system, or for other reasons.

For the third year in a row, we will allocate €11 million in funds to address past injustices, which affect more than 6,000 beneficiaries, or their heirs. Throughout next year, the process to pay pension arrears to former employees of the Malta Electricity Board or their heirs will be concluded.

2.17 Government Savings Bonds for pensioners

After the overwhelming demand in the past two years for the issuing of the 62+ Savings Bonds reserved for individuals aged 62 years and over, which saw more than 14,000 pensioners participating in the issuing of these Bonds, we will once again be issuing a similar Bond next year, since interest rates on fixed bank accounts have remained low. Over 6,300 new pensioners will be eligible for this issuing.

2.18 More aid for people with disabilities

Mr Speaker, people with disabilities have always been a priority for this Government. Throughout the last legislature, as well as, the present one, we have introduced various measures, including the right for people with disabilities to work, substantial improvements in disability pensions, the building of homes for independent living and the establishment of a Disability Trust Fund.

During 2019, we will continue introducing other measures to help people with disabilities integrate within society. We are going to carry out

another phase of the Disability Assistance reforms, which were started last year and which included the introduction of Additional Assistance for Severe Disability, for persons who absolutely cannot work and who will eventually be receiving the equivalent of the minimum wage.

Consequently, from the coming January, the weekly assistance payment will increase from €140 to €150 per week.

Apart from that, the scheme will be extended to 600 other people who will be granted the dignity they deserve. Besides the Barthel Index, which applies to people with mobility problems, an Impairment Rating Evaluation will be used as well. Further details will be shared in the coming weeks.

2.19 An increase in the Disabled Child Allowance

We will be increasing the children's allowance paid out to parents whose children suffer from some form of physical or mental disability. In 2014, we had already increased this allowance from €16.31 to €20 per week.

From next year, this allowance will increase by another €5 to €25 per week. Around 1,400 children with disabilities and their families will benefit from this increase.

2.20 Enhancing the Increased Carers' Allowance

In the last two Budgets, we improved the payments for those who look after the elderly in their own homes. This was done through the reform of the Increased Allowance for Carers, which went up to €140 and the Allowance for Carers that went up to €90.

As from January, the exemption from the means test will apply to both allowances. This gives more elderly people the possibility of living in their homes and in their communities, since their relatives who look after them will start benefitting from this as well.

With this measure, even married persons, until they reach pensionable age, who live under the same roof with the elderly man or woman, will be eligible for the Allowance for Carers.

Apart from that, as of next year, when a person applies to start looking after an elderly person who has reached the age of 85, they will no longer need to undergo a medical evaluation from the multidisciplinary board and the allowance will be paid automatically, if the carer and the elderly person live in the same home.

2.21 Increasing the fiscal incentives for private pensions

Throughout the past four years, we have given incentives to individuals who invest in a private pension known as the Third Pillar Pension Scheme, as well as, to employers who decide to offer a voluntary pension scheme which is non-contributory from the employee's side – here, I am referring to the Voluntary Occupational Pension Scheme.

Next year, there will be improvements in these two schemes, where we will increase the amount of tax-exempt annual financial investment to a maximum of €2,000 each year. Apart from that, the reduction in taxes will be increasing from 15 per cent to 25 per cent. Both the employees and the employers will benefit from the increases in these fiscal incentives.

2.22 Tax refunds for those who send their children to independent schools

We have started providing free school transport for children who attend independent schools and church schools. However, we know that independent schools have increased their fees and tariffs, for a number of reasons, including higher overheads, as well as, because Government has improved conditions for teachers.

Parents who send their children to independent schools now benefit from tax deductions on fees paid. As of next year, the Government shall

increase this tax deduction to €1,600 per year for each child that attends a kindergarten centre, €1,900 per year for each child that attends primary school, and €2,600 per year for each child attending secondary school, an addition of €300 for each child. (See Table 2.4)

2.23 Grant on the purchase and installation of Reverse Osmosis systems at home

Mr Speaker, we will be issuing a grant equivalent to a tax refund on the purchase and installation of equipment that purifies water in the home through reverse osmosis or other means, in order to continue incentivising the decrease in the use of plastic containers for bottled water. This grant will be capped at €70.

2.24 Marriage expenses grant

Mr Speaker, it's time to adjust the maximum refund that a couple receives on its wedding expenses. The last time this refund was adjusted was back in 2014. From the first of January of next year onwards, this refund will go up to reach a maximum of €2,000; a €250 increase.

2.25 Lower VAT rate on e-books and grant on the purchase of musical instruments

The VAT rate paid on books and similar printed objects, as well as, those which come in CDs, DVDs, SD cards or USBs is 5 per cent. This reduced rate will now be extended to include books, newspapers and publications which are provided electronically. This measure does not include publications which consist mainly of advertisements, audible music, or videos.

Apart from that, the grant given to those who buy a musical instrument from Malta will be extended to cover those who buy an instrument from abroad.

2.26 Concessions on business transfers

In 2017, we introduced a concession for business transfers that lowered the rate of the stamp duty from 5 per cent to 1.5 per cent, when a parent transfers their business to their children. This scheme, which was meant to expire at the end of December this year, will be extended for another year. This enhances the opportunity for the family business to continue moving forward.

2.27 Ex-gratia payment

I am pleased to announce that throughout next year, the final ex-gratia payment will be made to those who registered their new vehicle in 2008, a measure which will cost €4.9 million. This means that the promise that we had made five years ago has now been completely fulfilled. Over the past five years, we have refunded VAT payments which were not owed to the Government on the registration of new vehicles. The amount of money we have paid back has reached €25 million.

Table 2.1 The Children's Allowance

Examples of net income after National Insurance contributions	Rates for each child under 16 years old		Annual Increase for one child	Annual increase for two children	Annual increase for three children
	Current Rates	New Rates			
Up to the equivalent of the statutory national minimum wage	€1,156	€1,252	€96	€192	€288
€8,600	€979	€1,069	€89	€179	€268
€8,800	€967	€1,056	€88	€177	€265
€9,000	€955	€1,043	€87	€175	€262
€9,200	€943	€1,030	€86	€173	€259
€9,400	€931	€1,017	€85	€171	€256
€9,600	€919	€1,004	€84	€169	€253
€9,800	€907	€991	€83	€167	€250
€10,000	€895	€978	€82	€165	€247
€10,200	€883	€965	€81	€163	€244
€10,400	€871	€952	€80	€161	€241
€10,600	€859	€939	€79	€159	€238
€10,800	€847	€926	€78	€157	€235
€11,000	€835	€913	€77	€155	€232
€11,200	€823	€900	€76	€153	€229
€11,400	€811	€887	€75	€151	€226
€11,600	€799	€874	€74	€149	€223
€11,800	€787	€861	€73	€147	€220
€12,000	€775	€848	€72	€145	€217
€12,200	€763	€835	€71	€143	€214
€12,400	€751	€822	€70	€141	€211
€12,600	€739	€809	€69	€139	€208

Examples of net income after National Insurance contributions	Rates for each child under 16 years old		Annual Increase for one child	Annual increase for two children	Annual increase for three children
	Current Rates	New Rates			
€12,800	€727	€796	€68	€137	€205
€13,000	€715	€783	€67	€135	€202
€13,200	€703	€770	€66	€133	€199
€13,400	€691	€757	€65	€131	€196
€13,600	€679	€744	€64	€129	€193
€13,800	€667	€731	€63	€127	€190
€14,000	€655	€718	€62	€125	€187
€14,200	€643	€705	€61	€123	€184
€14,400	€631	€692	€60	€121	€181
€14,600	€619	€679	€59	€119	€178
€14,800	€607	€666	€58	€117	€175
€15,000	€595	€653	€57	€115	€172
€15,200	€583	€640	€56	€113	€169
€15,400	€571	€627	€55	€111	€166
€15,600	€559	€614	€54	€109	€163
€15,800	€547	€601	€53	€107	€160
€16,000	€535	€588	€52	€105	€157
€16,200	€523	€575	€51	€103	€154
€16,400	€511	€562	€50	€101	€151
€16,600	€499	€549	€49	€99	€148
€16,800	€487	€536	€48	€97	€145
€17,000	€475	€523	€47	€95	€142
€17,200	€463	€510	€46	€93	€139
€17,400	€451	€497	€45	€91	€136
€17,500	€450	€490	€40	€81	€121
€17,600	€450	€484	€34	€68	€102
€17,700	€450	€477	€27	€55	€82
€17,800	€450	€471	€21	€42	€63
€17,900	€450	€464	€14	€29	€43

Examples of net income after National Insurance contributions	Rates for each child under 16 years old		Annual Increase for one child	Annual increase for two children	Annual increase for three children
	Current Rates	New Rates			
€18,000	€450	€458	€8	€16	€24
€18,100	€450	€452	€2	€4	€6

Each income quoted in this table as a guideline applies after the deduction of social security payments.

Table 2.2 Further tax deductions for all employed persons

Computation: Single	
Income	Amount
€0 - €15,000	€60
€15,001 - €30,000	€50
€30,001 - €59,999	€40
Computation: Married	
Income	Amount
€0 - €20,000	€68
€20,001 - €40,000	€56
€40,001 - €59,999	€44
Computation: Parent	
Income	Amount
€0 - €15,000	€64
€15,001 - €30,000	€52
€30,001 - €59,999	€40

Table 2.3 Non taxable income from pensions

	2018	2019
Computation: Single	€13,200	€13,434
Computation: Parent	€13,200	€13,434
Computation: Married	€13,200	€13,434
Non taxable other income		
	2018	2019
Computation: Married	€1,000	€1,000

Table 2.4 Tax refunds for those who send their children to independent schools

	2018	2019
Kindergarten	€1,300	€1,600
Primary School	€1,600	€1,900
Secondary School	€2,300	€2,600

3. HOUSING AND THE PROPERTY MARKET

Over the past year, much has been said and written about rental rates and property prices, and many suggestions have been put forward on how this sector should be addressed.

It's a fact that the economic success that our country is benefitting from has brought with it new challenges, stemming from the demand for social housing and affordable housing.

This Government is committed to addressing this problem, and not avoiding it. In this Budget, we will start introducing a number of measures, incentivising the property owner, as well as, the tenant in order to make rent prices more affordable without disturbing the market.

Mr Speaker, I would like to point out that Malta is one of the few countries where the majority of families are homeowners. Therefore, we estimate that around 78 per cent of Maltese families are seeing an appreciation in their family assets as property values rise.

On the other hand, the Government will continue to safeguard the interests of people who are renting, or who require social accommodation.

Last week, we launched a White Paper on Renting as a Housing Alternative, which is now open for consultation. The White Paper proposes that contracts should cover an established period that the registration of rent contracts should be obligatory, that a minimum notice period for both property owners and tenants should be established, that there should be more enforcement against irregularities and abuse, as well as, more efficiency when it comes to resolving disputes.

What the White Paper on rent is proposing reflects the fact that the private rent sector has changed from how it was in the past. The reforms being proposed in the White Paper are aimed at adding stability to the rental market, so that families who live in rented homes can live without uncertainty, making the sector more transparent and strengthening the relationship between the person who rents and the property owner, so that whoever invests in property will keep on making a fair and deserved profit.

3.1 Rent Benefit – social housing and affordable housing

As of next year, there will be a radical change in how financial aid will be given to make rent more affordable. First of all, the means test on the assets that the applicant holds will be removed. Instead, there will be two criteria for eligibility. The first is the gross family income, which includes wages and interests, and which does not exceed the established benchmark. The second is that the existing rent paid exceeds the

benchmark for that family. The applicant will be eligible if they fall under both criteria. Financial aid ranges from €3,000 to a maximum of €5,000 per year, according to the family's circumstances. Further details will be given when the scheme is introduced. We estimate that for next year the financial assistance provided will reach up to €5 million.

3.2 Incentive scheme for owners renting out their property at moderate prices over a long-term period

Conscious of the important role that property owners have in the rental sector when it comes to affordable housing, the Government is in discussions to launch a scheme granting fiscal incentives to property owners by reducing the taxes on the sale of a property, in the case of an affordable rent, for a period of seven years.

3.3 Equity Sharing scheme

People who have turned 40 years old are finding it very difficult to purchase a home, since it is hard for them to acquire a loan from the bank. Throughout this year, discussions with banks were launched to find a solution to this problem. Therefore, next year we will be launching a scheme for people who have turned 40 and are interested in buying a home. As long as they can pay no less than half the value of the property, it will be possible for the bank to loan them the rest of the expense, which the person will pay back over a number of years. However, Government

will be paying interest to the bank throughout the period that the person will have committed to paying back the loan.

3.4 Social Housing

This Government believes that the State is responsible for the functioning of social housing.

In this regard, while work is currently being carried out on a 500-apartment project with the help of the European Investment Bank and the European Council Development Bank, work will also start on the building of nearly 700 additional social housing units, an investment of €50 million, with part of the investment coming from the National Development and Social Fund. Apart from that, the Government will continue creating initiatives to continue increasing the stock of Government housing.

3.5 Regeneration of dilapidated property

A number of Government properties in a dilapidated state have been identified, which can be refurbished for use as social housing.

3.6 Special projects

Next year, the Housing Authority will be evaluating two pilot projects which will be carried out in conjunction with non-governmental entities. While the Housing Authority will be funding part of the expense for such property to be refurbished, it will be entering in an arrangement with the non-governmental entity so that the property may be used for the purpose of social housing, with lower rent prices than one would find on the market.

3.7 Regeneration of Housing Estates

In the coming months, the Housing Authority will continue its work on maintenance or embellishment programmes, according to the needs of each particular block. The embellishment programme will also continue in the Government housing blocks.

3.8 Reorganisation of the Housing Authority

The Housing Authority will be carrying out an internal reorganisation in order to take on all the challenges in the housing sector, when it comes to affordable social housing.

In this regard, the Authority will be launching within it a Unit focusing on property registration, owner protection and regulatory enforcement.

3.9 The extension of existing schemes

Mr Speaker, I am pleased to announce that the existing schemes which we introduced in past years will be extended for another year. These are the stamp duty reduction for first-time buyers, second-time buyers, vacant properties in Urban Conservation Areas, purchasing of property in Gozo, as well as, refunds for expenses incurred through restoration work.

3.10 Equity Release Facilities

I am also pleased to announce that the work carried out by the Home Equity Release working group has been completed. This will allow pensioners to raise their annual financial income, allowing them to improve their standard of living.

Further details will be announced in the coming weeks.

4. ADDRESSING ROAD INFRASTRUCTURE

This year, the Government continued to clearly demonstrate its commitment towards carrying out its ambitious plan for roadworks and road maintenance to be carried out in a proper, efficient and timely manner. Such investment is unprecedented.

Anyone who makes use of our roads may notice how various junctions were widened in order to allow traffic to circulate better. The Kappara project had barely been inaugurated when works commenced in preparation for the Marsa Junction project.

Mr Speaker, last year I had also mentioned that we will start addressing the problem of traffic congestion. I stated that this was an important issue that needs to be addressed over a number of years, through the introduction of various incentives, in order to gradually phase out the dependence on private cars.

The incentives we introduced encouraging the use of bicycles and motorcycles and the use of public or collective transport, while discouraging the use of private cars, are already showing signs that the strategy is working.

This Government will continue working so that these traffic-related challenges will continue to be overcome, thus reducing air pollution and improving the quality of life.

4.1 Ongoing road projects

The €700 million plan to upgrade all the roads in this country, including in Gozo, over a period of seven years, has begun. Next year, we are planning to carry out roadworks with an investment of €100 million. This clearly shows the importance that this Government is giving to this sector. Moreover, the amount voted for roadworks is four times the amount that used to be voted before.

The projects are progressing at an accelerated pace and the works are being carried out to high standards. Therefore, we are confident that the roads scheduled to be carried out throughout next year will all be completed in the stipulated time period. The Government understands the criticism that is often made about the need to marry better the needful development of the roads with the protection of green zones, and the retention of trees. Therefore, Infrastructure Malta will launch an Urban Gardens project, where through strategic partnerships, green zones will be created and maintained to beautify and serve as recreational spots, as part of the projects that will be carried out.

For this purpose, €1 million will be allocated in the first year.

4.2 Public Transport

Mr Speaker, Government's vision for the transport sector includes a single agency that would oversee security at sea, in air and on the roads in our country. This is being done by acquiring technical assistance from other European countries, which have already created similar entities aimed at improving the environment and preventing fatal accidents.

After various technical studies were carried out about the necessary upgrades in three landing ferry places, work is expected to commence next year on the quays in Bormla, Marsamxett and the Sliema Ferries. Eventually, there will be landing places in St Paul's Bay, St Julian's and Ta' Xbiex.

The Government is planning to address parking challenges in our country, which is getting worse over time. To this end, the Government is working to introduce new schemes, through which developers can be enticed to create new parking areas, especially in urban zones, which make use of modern technology, such as mobile apps and electronic signs that indicate the parking spaces available.

Through sensible planning and the best technologies, we should have an entire platform of transport services, in order to make people's lives easier.

4.3 Free Tal-Linja Card

Mr Speaker, after we extended the grant of a free Tal-Linja card, a scheme which was an enormous success, 21,000 young men and women aged between 16 years old and 20 years old benefitted from this measure.

Not only will this scheme remain in place, but next year we are extending it so that those who have turned 20 years old, but are still full-time students, will still be eligible for free transport. The same applies for those aged 14 years old.

During this year, there will be discussions with the CRPD and Agenzija Support to ensure that we include categories of people with disabilities, so that they may also be given a free Tal-Linja card.

4.4 Free collective transport to and from school for all schools in Malta and Gozo

Mr Speaker, a few weeks ago we implemented another electoral promise, that there would be free transport for all students, irrespective of which school they attend. Through this measure, which will cost €20 million, the parents of 26,000 students will save €700 per student per year.

4.5 Grant on the purchase of bicycles, electric bicycles (pedelec bicycles) and motorcycles

The grant scheme on bicycles and electronic bicycles which is the equivalent of a full VAT refund will be extended for another year.

Even the scheme introduced in the Budget for this year, which incentivises the purchase of motorcycles, scooters and bicycles with electric engines by a maximum of €400, will be extended for next year.

4.6 Investment in alternative modes of transport

The scheme that we introduced three years ago, giving a grant to Local Councils, as well as, to those private companies which install bicycle racks to encourage more people to use bicycles, will be extended for another year.

4.7 Incentives for the purchase of more environmentally-friendly vehicles

To encourage people to buy more environmentally-friendly cars, the exemption from all registration taxes for all those who buy electric cars or hybrid cars (plug-in) will be extended to next year.

4.8 Other programmes

Finally, for yet another year, the vehicle scrappage scheme and the grant for those who convert their vehicle to run on gas instead of petrol will be extended.

5. INVESTING IN THE ENVIRONMENT

Mr Speaker,

This Government is committed to prioritising our environment, our country's natural capital, which we not only want to protect, but nurture in the best possible way for future generations. We are committed to doing so through further infrastructural investment, by strengthening regulations and by implementing measures and environmental initiatives that truly bestow value on our natural capital.

Waste management remains one of the biggest challenges facing the country. The choice that the Government has made today is a clear one – to invest in technology where non-recyclable waste can be used to generate energy. It is not sustainable to keep taking large tracts of land to create more rubbish dumps that we use for a relatively short time. We cannot keep relying on this. Our insularity makes the exportation of waste a heavy financial burden. We already realised this when we laid out the Waste Management Plan 2014-2020. We will not give up, we acknowledge challenges and we are wholly committed to addressing them.

Ambjent Malta will be the country's national entity for carrying out interventions that strengthen our natural capital.

5.1 Waste Treatment

Mr Speaker, in the coming year, we will be continuing our work in the waste sector by preparing for the construction of a new Material Recovery Facility that will replace the one that burnt down. Meanwhile, we will be providing temporary infrastructure to limit the amount of recyclable waste that we have to export. In order to complement this facility, we shall kick off the process for a Multi-Material Recovery Facility, which will help in the recycling of various materials that would otherwise end up in the landfill. We will continue with the process of designing a Waste-To-Energy facility, which will be an important link in the chain of waste management facilities.

It is our civic, moral and legal duty to separate and manage the waste we ourselves generate in an appropriate way. Therefore, we will be intensifying our efforts to make sure everyone separates their waste, now that we will also have a separate service for the collection of organic waste. It is this ambition that leads us to continue investing in this sector. Throughout next year, we will be planning proposals so that commercial waste is regulated in a more sustainable way.

5.2 Introduction of the Beverage Container Refund Scheme

Mr Speaker, after publishing a consultation document earlier this year for the private sector to start operating a deposit scheme on drinks

containers, there was an exceedingly positive response. Throughout next year, discussions will start in order to reach an agreement with a consortium made up of operators and importers on how such a system would be implemented.

5.3 An appropriate environment for today

Ambjent Malta's work will focus on the implementation of the Management Plans of Natura 2000 sites, which make up 11 per cent of Maltese territory. We will also take care of our valleys, for the biodiversity they contain and because they act as a passage for rainwater. We will be spurring on this sector by adding more investment. We will continue working on a legislative framework, regulating noises not covered by law, while planning an enforcement system in harmony with the authorities that regulate noise. Work will start on a National Strategy for the Environment, and the planning of a strategy for the management of alien species. There will be investment in a new station for air monitoring.

In the coming year, we will not only carry on with the measure introduced this year to plant a new tree for every boy and girl born, but we will also begin planting a tree for each new vehicle imported to these islands. Investment in other National Parks, including Majjistral and Inwadar, will continue, and we will keep working to establish the first Geopark in our country.

We will also begin investing in environmental embellishment projects in cities and villages, and even in the country's industrial zones.

5.4 The Agricultural and Fishing sector

Following the design of our agricultural policy, a number of measures will start being implemented. Among these, we want to continue promoting Maltese products as high-quality products and invest further in the viticulture research centre in Buskett.

Despite the fact that farming does not contribute greatly to either economic growth or jobs, we need to restructure this sector to be more profitable, and therefore, more likely to attract young farmers who can start looking at concepts of agri-business and not just farming in the traditional way.

In the fisheries sector, while we keep decreasing administrative burdens for fishermen, we will invest in the improvement of the Aquaculture Centre in San Lucjan and a new control hub will be developed in Marsa. Thanks to this control hub, the services offered to fishermen will be centralised right next to the Fish Market. The Government also has a plan in mind to launch a scheme for the restoration of wooden fishing boats that are more than 20 years old. Through this initiative, we will be helping fishermen, while preserving traditional Maltese boats and the craftsmanship associated with them.

5.5 Energy and Water

Mr Speaker, throughout this year, work continued to ensure the supply of sustainable energy, particularly when it comes to electricity generation and distribution.

As promised, the Marsa power station has been completely dismantled, as has the heavy fuel oil plant in Delimara. As part of the Government's plan to use more clean energy, work continued on the gas pipeline which will connect Malta to Sicily. Furthermore, the engagement process for various experts, who will help carry out the necessary studies on the issuing of permits in Malta, as well as, Italy came to an end.

After three new polishing plants were opened to produce newly-recycled, tertiary-treated water, we continued working on safeguarding the quality of this water.

Throughout 2019, the Energy and Water Agency will carry on working on the National Energy and Climate Plan for the period 2020-2030, to identify a number of actions which will be taken in order to reach the European targets.

The Government will remain committed to promoting renewable energy and the efficient use of energy sources, as well as, encouraging the conservation of water in the domestic sector, through various schemes.

5.6 Energy

Mr Speaker, throughout the coming year, we will continue with our policy of having stable electricity, water and fuel prices for the long-term.

We will continue focusing on making this sector, which is fundamental to the country's economic growth, stronger and ready to face future challenges.

This will be done through a number of measures in the generation and distribution sector, as well as, through incentives addressed at making sure energy is used in a more efficient way.

Apart from that, we shall continue working to provide more clean energy, by promoting the use of renewable energy while helping families and businesses learn how to reduce their consumption.

The Energy and Water Agency will continue carrying out energy audits on those families and businesses, while continuing to assist vulnerable individuals in reducing their consumption levels, by exchanging their old appliances for new ones.

Enemalta will continue strengthening its electricity distribution through the extension and work on various distribution centres, including the

ones in Paceville, Marsaskala and Kappara, in order to better fulfil the demand for electricity in those locations.

Transformers will be changed in the distribution centre in Tarxien. At the same time, automation work will continue in another number of substations.

The ARMS call centre will continue to be improved, while an upgrade will be made in the Smart Utilities Portal. A new mobile app will be launched which will give ARMS clients easier access to information about their consumption and their bills.

We will keep on working to provide good quality fuel. For this purpose, Enemed will be modernising the storage implant at Hal-Saptan, developing a new filling station and modernising the jet fuel storage facilities that can be found at the Malta International Airport.

5.7 Water

Investment will continue, as it has in preceding years, to improve Reverse Osmosis in Malta, while works will continue on the construction of a Reverse Osmosis plant in Hondoq ir-Rummien.

Work will continue on improving the distribution of water, as well as, upgrading the quality of water, through the building of a tunnel between the Reverse Osmosis in Pembroke to the reservoirs in Ta' Qali.

Farmers will continue receiving assistance with the distribution of new water. Therefore, work will continue on the network in the south of Malta and in Gozo.

While the process of groundwater extraction will continue, an automatic system will be introduced and controlling measures will be added, to ensure that this extraction is carried out in the most sustainable way possible.

Incentives will continue to be given to those families who want to restore their household well.

Work is expected to start on rehabilitating two strategic pumping stations found at Ta' Kandja and Ta' Bakkja, as well as, the station at Chadwick Lakes, which is also an educational and recreational site for families.

The Government is also dedicated to working on reducing the risk of flooding in our country. Therefore, detailed studies will be carried out to develop other measures that can minimise this risk, while maximising the use of rainwater.

6. STRENGTHENING OUR COMPETITIVENESS

Mr Speaker,

The strong economic growth we are experiencing is the outcome of the Maltese Government's serious policies and clear plan. Therefore, the Government intends to continue introducing further measures to continue generating more wealth in the economy and a better quality of life.

6.1 Corporate Tax

Mr Speaker, we are against the abuse of tax systems and so I will not mince my words – contrary to what is often said, we have neither created, nor do we plan to create, opportunities for tax evasion for businesses or foreign individuals that can come to live in Malta under one scheme or another. Here I am referring to tax avoidance schemes for companies. We are in favour of sustainable investment and serious enterprise, and therefore, we will not tolerate anyone using our country or our regulatory framework for illicit gains from tax evasion.

Mr Speaker, the Maltese Government remains committed to fighting tax evasion with a strategy built on three key pillars. First, by cooperating with other countries, which, like us, are committed to fighting tax system abuse. Second, by further strengthening the regulatory framework and

bolstering our tax administration, so that all the taxes owed are collected in their entirety in an efficient and timely manner. Third, by making our tax systems more transparent and accountable, in order to minimise opportunities for tax evasion for those who are duty-bound to pay it.

To this end, our country was one of the first to join the OECD's Base Erosion Profit Shifting (BEPS) programme, which aims to actively and effectively fight all kinds of abuse of tax systems. Furthermore, our country adopted the first European Union Directive against tax evasion (ATAD 1) and was instrumental in negotiating and finalising the second directive for this purpose (ATAD 2) during our Presidency of the European Council. We have agreed on, and will be introducing, a mandatory disclosure directive (DAC6) while the necessary procedures are ongoing for us to implement the EU Dispute Resolution Mechanism. These measures, along with others that we regularly introduced with every Budget, are all helping us continue to strengthen and improve our regulatory framework to the standard found in other advanced countries.

More information can be found in Table 6.1.

6.2 Anti-Money Laundering Strategy

This year, the results of the evaluation on money laundering, known as the National Risk Assessment, were finalised. The Action Plan Strategy was also completed, with 45 actions which will be carried out over a period of three years, with the aim of further strengthening Malta's

regulatory and supervisory institutions, so that they can be more efficient in their fight against money laundering.

The first act of this Plan was the establishment of a National Coordinating Committee, which now has a secretariat, tasked with providing support and technical assistance to ensure that the actions agreed upon are being carried out.

Details of the work done by this Committee, along with its secretariat, can be found in Table 6.2.

6.3 The Malta Development Bank

Throughout this year, the Malta Development Bank underwent a wide-ranging consultation process with the social partners, in order to identify areas where the Bank can offer its services to empower access to new financial investment. On the first of October, the Bank participated in the first financial instrument, in collaboration with a commercial bank and with the Family Business Office, with the aim of facilitating the transfer of such businesses, so as to ensure sustainability within this sector. In the coming months, the Bank plans to offer new schemes and facilities to contribute towards further investments by SMEs, as well as, infrastructure projects.

6.4 The work carried out by the Malta Stock Exchange

Next year, the Malta Stock Exchange will be helping out small local companies which are focused on IT and finance. This sector is known as Fintech, and it is one of the sectors with the greatest potentials for growth. Therefore, the Malta Stock Exchange has launched the Fintech Accelerator programme, which aims to help such companies, which are just starting out in this sector, in an effective and affordable way.

The Stock Exchange will continue working to fulfil its vision of partnering with companies which operate in the blockchain and cryptocurrencies sector.

Discussions surrounding an initiative about financial instruments, which are known as Real Estate Investment Trusts or REITS, which provide investors with the opportunity to invest directly in the property market, are close to conclusion. It is planned that from next year, the administrative, fiscal and regulatory processes will be completed as well, so that REITS can also start being traded on the Malta Stock Exchange markets.

6.5 The Financial Services sector

The Government has taken several measures over the past year to strengthen Malta's financial services. The Financial Services Authority law

was amended to reflect today's needs more accurately, and so that this sector can keep on growing and contributing to the livelihoods of thousands of Maltese and Gozitan people.

In order to keep Malta competitive, we not only need to keep a close watch on what is happening at an international level, but as a Government, we need to have an open channel with the industry and practitioners, through a Consultative Body.

6.6 Continuing to build on the strategy for Blockchain technology

Mr Speaker, during this year, the Maltese Parliament approved three laws on blockchain technology. Malta became the first country in the world, which is creating a legal framework so that companies, which work with this technology, can start operating from Malta.

This will not only lead to more job creation and investment, but will attract new talent to our country, consequently improving our human resources.

Another important aspect of these blockchain laws is that through them, Malta will be offering protection to the consumer, as well as, to the investor. This is why the new Malta Digital Innovation Authority was founded, which will be certifying this technology, as well as, the Financial Services Authority, which will have a specialised fintech unit.

We will be presenting a draft law in which we give a legal character to certain aspects of blockchain technology, whilst launching a document explaining how we are exploring the creation of a regulatory framework for 'disruptive technologies' such as Artificial Intelligence and the Internet of Things, which complement Blockchain.

Next year, in the communication sector, the Malta Communications Authority will be launching a feasibility study to identify interest and applications of 5G technology.

6.7 Tech.mt

The developments that have taken place in the past year, as well as, the measures that I have announced for next year, need to be promoted outside of Malta.

So far, there are a number of foundations, each of which is promoting its own sector. To increase the promotion of disruptive technologies, we will be placing all foundations, which have to do with technology, under one framework. For this purpose, we will establish Tech.mt, which will be fulfilling this role.

6.8 Developments in the iGaming sector

iGaming is a very important sector. This year, we introduced legislation which consolidated various gaming laws. This will help Malta remain a primary hub for the industry.

We will also be working to attract companies in the field of e-Sports, which is a very promising sector. We believe that thanks to the experience we have gained throughout the years in the iGaming industry, as well as, the new initiatives we have taken in the past few months, Malta can become a leading sector in this field too.

6.9 The Manufacturing sector

Mr Speaker, Malta Industrial Parks is working on a Public Private Partnership (PPP) in various industrial zones around Malta, so that it can accommodate a greater number of small businesses in industrial clusters. As a regulator in the pharmaceutical sector, the Maltese Medicines Authority managed to transform the pharmaceutical industry into an innovative and optimised sector which focuses on the patient. This process will continue to be renewed all throughout next year through initiatives aimed at extending the Authority's regulatory mandate on medical apparatus, in order to consolidate the skills and expert knowledge available on a national level. The Authority will keep on developing the regulatory framework on cannabis use for medicinal

purposes, in order to ensure that Malta is a leading jurisdiction in this field. Keeping medicines accessible will remain a priority.

6.10 Brexit

While the work of the Malta UK Business Promotion Task Force continued all throughout this year, next year, the Malta Enterprise is expected to launch a scheme offering assistance and business advisory services to local SMEs for whom the UK is the primary trade market. Several meetings are taking place to attract investment to Malta once Brexit happens.

6.11 The Free Zones Act

Throughout this year, work continued on a new law about free trade, with the aim of establishing new zones such as the Freeport, as necessary. This Act is expected to facilitate new investment in international logistics services. This not only creates new employment, but also helps existing companies by generating an increase and improvement in air and sea services.

6.12 Assistance for Start-Ups

We will be focusing on a plan of action to help start-ups grow, in order to increase entrepreneurship in our country. To this end, the Seed Investment Scheme will continue to be promoted.

Apart from this, we are planning to create an ecosystem that will help start-ups grow, and therefore, we will be introducing a start-up visa scheme, aimed at easing the process for foreign start-ups to establish themselves in Malta. With the creation of a co-working space this year, we will be launching an accelerator programme in partnership with an international entity.

6.13 Air Malta

The Air Malta Company continued growing at a rapid pace, and we witnessed it taking on new routes and exploring new opportunities. Little by little, we are approaching the fulfilment of the vision for this airline to become the airline of the Mediterranean. Air Malta contributed wholly to the growth we are experiencing in tourism, thanks to the new routes which were introduced this year.

This was also the result of important decisions about Air Malta that were taken in the past few months, including the adoption of a new Business Plan, the conclusion of the collective agreements for different branches

of staff, and the hiving off of ground handling services so that the company could focus more on its core business. This strategy led to the introduction of more competitive prices through new business models, new routes, an increased frequency in the most popular routes and the expansion of the air fleet with more modern aeroplanes.

Over the past year, Air Malta saw double-digit growth in the number of passengers month on month, and for the first time, ended its financial year without any losses.

The process to modernise Air Malta's fleet is ongoing. The aim next year is to consolidate and continue improving our operations. The new routes alone are expected to result in no fewer than 250,000 additional tourists to our country.

6.14 Tourism

Tourism prospects and figures for 2019 look very encouraging, in light of the conclusion of negotiations with various foreign airlines and the ongoing modernisation of Air Malta's fleet.

The priorities we have for next year include making the most out of the increased connectivity between Malta and Eastern Europe by strengthening our presence there and concentrating our efforts on markets even further afield from our shores.

In order to ensure healthy dividends for the Government from tourism, which will be re-invested in improving our product, we will be analysing the performance of the eco-contribution in the past few years, and together with stakeholders, we will be considering how to maximise the collection of this contribution.

The programme of cleaning, embellishment, maintenance and accessibility works and initiatives in various localities and beachfronts around Malta will continue throughout next year, including on the Msida and Gzira promenades.

In order to increase the number of sandy swimming areas, we will be exploring the possibility of creating more new beaches. We are studying the possibility of expanding bays in the South of Malta, including Rinella Bay in Kalkara, Fajtata in Marsaskala, and St George's Bay in Birzebbuga, among others. Other works which are scheduled for these beaches include regular cleaning, improved accessibility, installation of showers and general zone maintenance.

The management programme of a number of beaches is also scheduled for expansion and new impetus will be given to this plan by upgrading our coastal facilities and increasing the period of time during which services are provided in our beaches.

Paceville and its surrounding areas remain a vital organ for the Maltese industry, but we know very well that the entire zone needs to be addressed seriously and in a holistic way. In fact, as was announced recently, we will be launching an ambitious embellishment programme in Paceville.

In Marsaxlokk, we will be continuing the regeneration project by launching works related to the regeneration of the Tal-Magħluq zone, and the embellishment of Xatt is-Sajjieda. At the same time, in Birżebbuġa, we will be launching a holistic regeneration project.

Next year, the Rinella studio facilities and tanks will be undergoing an extensive modernisation process. At the same time, we will be enhancing the fiscal incentives for the film industry, to make our country more competitive when it comes to attracting international productions.

6.15 Aviation

Aviation is another sector which is contributing to the creation of wealth and jobs in Malta. For this purpose, the aviation policy will be updated next year. This policy will include a Master Plan for the Airport zone.

Work will commence on the construction of an Air Traffic Control Centre, a centre which is expected to better serve the needs of the sector, for at least another fifty years.

Table 6.1 Malta's Continued Work in relation to Anti-Tax Avoidance Measures, Tax Certainty and the OECD BEPS Project

1. The implementation of the EU Anti-Tax Avoidance Directive (ATAD 1)

As from 1 January 2019, Maltese law will provide for the following anti-tax avoidance measures:

1.1 Interest limitation

When interest and similar borrowing costs of a company exceed interest receivable, the maximum tax deduction that can be claimed in a tax period in respect of the excess costs will be 30 per cent of EBITDA (i.e. earnings before interest, tax, depreciation and amortisation). Unutilised costs may be carried forward (subject to any further limitations that may be applicable under the normal provisions of the Income Tax Act). The new restrictions will not apply in cases where the exceeding borrowing costs do not exceed €3,000,000.

In line with the Directive, the regulations envisage the possibility of this limitation being calculated and applied at group level.

The limitation will not apply to financial undertakings. Nor will it apply to costs on loans used to fund long-term public infrastructure EU projects or loans concluded before 17 June 2016.

1.2 Exit tax

A change of residence of a company, or the movement of its assets or of its business to another territory will be treated as a taxable exit event. In such a case, the company will become subject to tax in the same manner as if it has disposed of its assets. The accrued gains will be calculated by reference to the market value of the asset at the time of the exit. Where the country of the new residence of the taxpayer or of the new location of the assets is another EU Member State, the payment of the tax can be deferred.

No exit tax will be chargeable in the case of a temporary movement of assets that is linked to certain financial transactions as long as the assets are returned within 12 months.

1.3 GAAR

The Income Tax Act already contains a general anti-abuse provision (article 51) that empowers the Commissioner for Revenue to ignore tax avoidance schemes. The new regulations add to this rule by applying the definition of tax avoidance schemes as used in the Directive. The measure will accordingly apply to arrangements which are not genuine, meaning that they are not put into place for valid commercial reasons that reflect economic reality, and which have been put in place with a main purpose of obtaining a tax advantage that defeats the object or purpose of tax law.

1.4 Controlled Foreign Company (CFC) Rules

An entity will be considered a CFC where it is subject to more than 50 per cent control by a parent company that is tax resident in Malta and its associated enterprises and the tax paid on its profits is less than half the tax that would have been paid had the income been subject to tax in Malta.

The measure will not apply:

- To a CFC with accounting profits of no more than €750,000, and non-trading income of no more than €75,000; or
- To a CFC whose accounting profits amount to no more than 10 percent of its operating costs for the tax period.

The parent company will be entitled to double taxation relief for the tax paid by the CFC on the included income. The regulations also provide for the avoidance of double taxation that could arise if the CFC subsequently distributes its profits or the parent company disposes of its interest in the CFC.

2. Implementation of the EU ATAD 2

Through its complex provisions, ATAD 2 replaced the original anti-hybrid provisions of ATAD 1 by extending them to include mismatches involving third countries and expanding the definition of hybrid mismatches to include hybrid permanent establishment mismatches, hybrid transfers, imported mismatches, reverse hybrid mismatches and dual resident mismatches. Regulations for the transposition of ATAD 2 are being

prepared and will meet the implementation deadlines set out in the directive (1 January 2020 and 1 January 2022).

3. Implementation of the OECD Multilateral Instrument

At OECD level, countries agreed on a BEPS Multilateral Instrument to implement key BEPS recommendations relating to bilateral tax treaties. Malta signed the Multilateral Instrument in June 2017. The Maltese Parliament has ratified this Instrument.

4. Implementation of the EU Mandatory Disclosure Directive (DAC6)

Regulations for the transposition of DAC 6 are being prepared and will meet the implementation deadlines set out in the Directive (1 January 2020).

5. Taxation of the Digital Economy

Malta is engaging in discussions concerning these matters with a view that a system of international taxation is established which is appropriate to meet the challenges and opportunities that arise from the digitisation of the economy.

6. Implementation of the EU Dispute Resolution Mechanism (DRM) Directive

Work has commenced on the implementation of the DRM. This Directive will be instrumental in providing Maltese taxpayers with access to a new dispute resolution framework in relation to disputes with other EU tax authorities that may come about given the changes that are being implemented in the international tax arena. This Directive will be implemented by the end of June 2019 so as to provide Maltese taxpayers with access to this new dispute resolution framework.

7. The Introduction of a Patent Box Regime in line with the EU Code of Conduct on Business Taxation and the OECD BEPS standard

The Government will move forward with the introduction of a new patent box regime that complies with the EU Code of Conduct (Business Taxation) and the OECD proposals on preferential intellectual property regimes (the so-called Modified Nexus Approach).

8. The Effect of these Measures on Malta's position in the international tax arena

The implementation of the above measures will bring Maltese provisions in line with international standards, but they will not bring about any changes to the Maltese general tax system. The regulations implementing these changes will establish the same anti-tax avoidance regimes that will be applicable throughout the EU, but the current rules on the taxation of company profits will remain fully in force. The same applies to Malta's tonnage tax regime, which has recently been cleared both by the OECD Forum on Harmful Tax Practices and under the EU State Aid rules.

The transposition of these measures constitutes a confirmation of Malta's support for international anti-tax avoidance initiatives. Malta's commitment is also evidenced by the obligations it assumed in 2017 when it joined the OECD Inclusive Framework and by its rating under the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

9. Malta's role during its EU Presidency

During Malta's EU Presidency, it played a leading role in advancing and brokering the successful conclusion of EU tax initiatives during its presidency in 2017. This included the agreement reached on ATAD 2, the introduction, discussion, development and adoption of the Double Taxation Dispute Resolution Mechanism Directive, and the role it played in obtaining consensus in the Code of Conduct sub-Group on Third Countries that enabled the Code of Conduct Group to commence the exercise for the establishment of the EU list of non-cooperative jurisdictions for tax purposes.

10. Bilateral Double Taxation Agreements

Malta continues to negotiate new tax treaties and currently has in place 74 Double Taxation Agreements spanning jurisdictions from all continents. Malta's growing list of bilateral double taxation agreements demonstrates that its tax system enjoys respect worldwide.

Table 6.2 Measures taken in 2018 to strengthen the fight against money laundering and terrorism financing

February	The results of the National Risk Assessment, an evaluation of Malta's risks and vulnerabilities in money laundering and terrorism financing, were concluded.
April	The National Co-ordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC) was founded. The NCC board meets periodically each month.
April	The AML/CFT Action plan was published, listing 45 actions that need to be carried out over the next three years.
April to October	Seven workblocks were formed under the supervision of the NCC to address the problems facing various competent organisations.
April to October	More than 30 visits were carried out by foreign consultants, who were tasked with helping and advising local competent organisations.
June to October	The signing of MoUs between different competent organisations was made easier by the NCC, in order to strengthen intelligence sharing and cooperation between them.

7. INTERNAL AFFAIRS, JUSTICE AND GOZO

7.1 Local Councils

Mr Speaker, after launching a White Paper on the Reform of Local Councils and attending a public consultation this year, we have also started addressing the Local Council Reform with a view to strengthen Local Council operations, specify regional roles and responsibilities and improve the quality of service given in the locality. This Reform will also continue during 2019.

A fund for local councils, which are benefitting from a major infrastructural project in their locality, is being set up by Central Government. This fund is aimed at helping local councils maintain the aforementioned project.

We will be introducing a new fund scheme encouraging Local Councils to propose initiatives addressing issues related to citizens' wellbeing or healthy lifestyle. At the same time, we will be financing the Regions so that they may play a more active role.

7.2 Cleanliness

The cleanliness of public spaces is crucial, and therefore, we will be carrying on with our mission to improve the coordination of cleaning and

maintenance works in the Maltese islands, by continuing to clean all the Central Government zones, touristic zones, the capital city and other areas frequented by the public.

7.3 The establishment of a Contracts Agency

The Government is aware that, not only does it need to involve the private sector in its projects and enter into concessions for projects of a certain size that generate employment and wealth, but it also needs to better structure the kind of monitoring for every type of contract or concession granted by the Government. The aim is to ensure that the agreements in contracts or tenders are executed. Preliminary preparations have already been made to find the best way for this monitoring to be done in an effective way, and therefore, in the coming year, an entity will be established to fulfil this function.

7.4 Further investment in Customs

The Government is increasing investment in Customs to make the country more secure, especially its borders. As a result, Malta will be in a better position to combat all kinds of illicit and illegal activities, ensure fair competition, and limit the evasion of taxes and duties to protect the rule of law and order.

For 2019, the Government is investing in a tunnel x-ray van for the airport and will commence the first phase of a major project, with investment

totalling around €5 million. Through this, the concept of scanning which presently exists in the Freeport will be replicated in the Grand Harbour. The Government will continue investing in the Canine Division, for the purchase of more dogs, as well as, the construction of the Canine Compound in Hal Far.

7.5 Strengthening Malta's security

Next year, the Police Force will see the continuation of various capital projects which began during this year, as well as the fulfilment of various measures to strengthen human resources, especially in the improvement of their working conditions. The end goal is to provide a better service and a safer society for citizens. The strengthening of security is a priority for this Government.

For 2019, through the construction of a new Command and Control Room, the Police Force will be equipped with the latest technology for its operations. The project should lead to more safety across the country, and a more immediate response from the police when they are called upon.

The project spread out over a number of years of modernising the Force's vehicles will continue, for the special divisions as well as the district offices. There will be substantial investment made for a leap in the quality of the equipment used by the RIU and SIU divisions.

Extensive work is being carried out on improving the infrastructure of the Forensics Division. Apart from that, there will be investment in more modern lab equipment, and the laboratory will continue its march towards accreditation.

The Academy for Disciplined Forces will be preparing to expand its campus by increasing the number of classes, building a library and a computer training room, among others.

As for the Civil Protection Department, an exercise is expected to be launched through which each fire station will be equipped to handle an earthquake. A strategy plan will be finalised for the next 10 years of this sector. Throughout next year, we will continue upgrading vehicles and strengthen the investment in the maritime sector through the purchase of dinghies and fire boats.

Apart from that, a Joint Innovation Centre (JIC) has just been founded to develop the concept of a Safe City for Malta's needs. When we say Safe City, we mean the use of advanced technology in the telecommunications sector, visible surveillance and IT, with the aim of bolstering security wherever necessary. In the past few months, work was being carried out to install the necessary apparatus in a data centre to be used on an experimental basis, allowing visual surveillance equipment to be used in a non-public environment, in full adherence to privacy laws by using

international best practices. Next year, after consultation, this technology will begin being implemented in localities like Paceville, where security needs to be strengthened and where anti-social public behaviour needs to be controlled, through a legal framework which safeguards human rights. Other areas which are being considered for the implementation of such technology include Marsa.

7.6 Further improvement in the corrective facilities

The Corradino Corrective Facility is undergoing a transformation to strengthen its infrastructure and human resources, and improve its security services, accommodation and food. The Facility's inmates are at the heart of these reforms, which should ensure that they are rehabilitated and prepared for the future, while assuring them that they will not end up relapsing.

Security will be ramped up further through investment in body scanners, among other things, so as to prevent prohibited substances from entering the Facility illegally.

A project brief has been commissioned to establish what kind of new buildings will be needed in the Facility to modernise it, to increase space and to distribute the inmates.

A new Facility building is planned for 2019 so that the inmates will no longer have to work inside their cells.

7.7 Irregular immigration

For 2019, a new strategy for the Detention Services will be charted, to ensure that their operations remain relevant and timely.

Malta's Armed Forces will keep up their collaboration with European agencies and other military forces to further strengthen security in the Mediterranean. The ongoing works related to immigration will continue and Malta plans to keep supporting FRONTEX operations.

7.8 Continuing the Law Courts Reform

The reforms in the Justice sector are progressing well, and we are already reaping the fruits of the wise decisions we have made over the past years which we will continue to make.

Next year, we will be implementing a mediation system on the Board that regulates rent; we will be implementing a law giving our Law Courts administrative authority, based on the same model which gave Parliament its own administrative authority; we will continue working to improve the accessibility of the IT services offered by Court, so that more services will be available online for the benefit of the citizen and the

practitioners of the law and we will continue investing in the Legal Aid Agency, so that Maltese society will be an inclusive one, even with the most vulnerable in society, ensuring that everyone has access to justice. Above all, our singular goal is to improve efficiency in our Law Courts. A lot is said about the rule of law, but almost nothing is said about the most important principle of all – that justice is served in time and without delay. For us, this is the number one goal. We have accomplished a lot and there is still much to be done.

7.9 Citizenship

We will continue to strengthen the Citizenship by Investment programme, known as IIP. Consistent studies have confirmed that Malta has the most rigorous due diligence process in the industry, which along with the Individual Investors Programme's strong criteria, make it the most exclusive one on the market. We are proud of this and will continue working to remain at the very forefront of this sector, which is so important to us.

The benefits generated by the citizenship programme to Malta go beyond the financial. Malta is attracting new investment, talent and human resources. Applicants are also helping many local philanthropic organisations, through the direct financial contributions that are making a difference in Maltese society.

Another programme which is generating prosperity in our country is the Malta Residency and Visa Programme.

This Programme will be renewed and strengthened so that we remain competitive with other countries which have a similar Residency Programme.

The unprecedented economic growth that our country is experiencing is putting more pressure on the labour market, so employers have to resort to engaging foreign workers. While the residency and work permit process has been simplified, through the introduction of the temporary work permit, among other things, we will clearly show that the rules are there to be obeyed by everyone. In light of this, Identity Malta will be establishing an enforcement unit to see that the rules are followed. Identity Malta will be launching more online facilities and extending its services in Gozo.

7.10 Work beyond our shores

Next year, we will continue promoting trade by furthering Malta's bilateral and multilateral relationships with other States. This will be done through continuous work by our diplomatic missions all over the world and through high-level visits – both from our representatives to other countries and from leading foreign Government exponents and multilateral organisations to Malta.

Besides that, following the announcement of our decision to launch the first Maltese diplomatic mission in Ghana, efforts are ongoing so that this may happen in the shortest time possible.

7.11 Further investment in Gozo

Government fully believes in Gozo's potential. We believe that Government should be guided by a long-term strategy. This was the primary aim behind the establishment of the Regional Authority for Gozo, an Authority which will be responsible for implementing Gozo's regional strategy.

Mr Speaker, this is a Government that cares about and is sensitive to the Gozitan people's needs, especially when it comes to the journey between Malta and Gozo. This Budget will be a clear statement, showing that this Government does not simply accept the status quo, but wants a better quality of life. Therefore, I will be announcing a number of very important measures which will continue building on initiatives taken in previous years.

7.12 More financial assistance for patients who want to travel between Malta and Gozo

While this Government is making a leap in the quality of the health sector in Gozo through the presence of Barts and the building of a new hospital, we are also aware that there are a number of Gozitans that still have to go to Malta for interventions and treatment, especially those which have to do with cancer.

Therefore, from 1st January 2019, the assistance granted under the travel reimbursement for patients undergoing treatment cancer at Mater Dei scheme will be revised, so that the adult accompanying the patient will receive it too. This assistance will also be given to Maltese patients going to Gozo for treatment. An additional allowance will be given to lighten the burden of accommodation in Malta and Gozo, depending on the case.

7.13 More financial assistance for Gozitan Government employees who want to travel between Malta and Gozo

Mr Speaker, the Government is aware that there are various Gozitan workers that travel between the two islands daily, and that these workers have teamed up to organise collective transport from Cirkewwa to the workplace.

To continue encouraging the use of collective transport, as of next year, besides continuing to grant a tax credit to private companies to organise collective transport for employees in the private sector, the Government will be giving a partial compensation of €1.50 daily to Gozitan public sector workers that organise collective transport.

Up to 1,000 employees are expected to benefit from this measure.

7.14 Extension of the Gozitan Works Subsidy

From 1st January 2019, Gozitan workers who work in Malta will start being entitled to the *Gozitan Works Subsidy*. This means that for the first time, the anomaly that has existed so far whereby only public sector workers are granted this subsidy consisting of a refund on their ferry ticket, will be removed. Around 3,000 people who work in the private sector will benefit from this measure.

7.15 Further assistance for Gozitan students who study and live in Malta

Many Gozitan students have to rent a place in Malta to continue their studies in tertiary institutions.

Therefore, there are ongoing discussions between the Ministry for Gozo and ecclesiastical entities to offer a number of lodgings to Gozitan

students at reasonable costs. Concurrently, as of next year, the Government will be extending the subsidy given to Gozitan students under certain conditions through the housing scheme operated by the Housing Authority.

More details are forthcoming.

7.16 Incentives for the creation of jobs in Gozo

This year, we introduced a fiscal incentive for new jobs created in the private sector in Gozo. Each employer offering a contract of three years or more is refunded 30 per cent of the employee's average salary, up to a maximum of €6,000. This measure will be extended to next year.

7.17 Investment in Social Housing

The Government's commitment to social housing will extend to Gozo, through a new, modern and eco-friendly block of apartments in the taċ-Ċawla housing estate in Rabat, which satisfies accessibility standards.

7.18 Other projects

Capital projects will continue in order to carry out projects such as an SME village, a home for the aged, the St Francis project, the experimental farm in Xewkija and the new Law Courts.

However, work has also commenced on other projects which will be useful to Gozo. The park and ride project is aimed at not only addressing the parking problems in Mgarr harbour, but also, in a wider strategic context, to reduce emissions in Gozo, making it an investment in air quality.

In 2019, the masterplans for Marsalforn and Xlendi will be implemented in parallel. An important aspect of the Marsalforn project is the regeneration of tal-Menqa, as well as, the conclusion of the plans to finally rebuild the Marsalforn breakwater.

The Gozo Aquatic Centre project will commence. This is a project which will address the needs of the Gozitan aquatic sport community, offering therapeutic services and boosting sport tourism.

When it comes to the tunnel project between Malta and Gozo, the Government is committed to building a permanent connection between Malta and Gozo. The undersea geological model has been completed and in September, a seminar was held to explain the findings that resulted from these investigations. These studies will form the basis for the tunnel's design.

7.19 Promoting Gozo

We have to continue building on the success of the themed festivals which were announced in the last Budget. These festivals serve as an attraction, making Gozo an appealing and unique touristic destination all year round.

8. TOWARDS A BETTER LIFESTYLE

8.1 Strengthening our children's education

Government will continue investing in education to truly improve its quality, equity and inclusion, so that more children than ever can benefit from it.

We will now proceed to the third phase of the plan titled “My Journey – Arriving Through Different Routes”, a phase where students will have the opportunity to choose the learning programmes which are most relevant to them and to the future of our country, according to their abilities. This reform is founded on the values of inclusion, social justice, equity and diversity.

8.2 Continuing to invest in teachers

This year, all educators benefitted from a better financial package and improved work conditions. We will continue striving to make sure teachers are trained to handle today's challenges, and to ensure that they provide the best education to our students.

That is why we will be launching new courses and introducing new teaching methods. Through this, both new and already-established teachers will be trained to strengthen their pedagogy and update

themselves on new methods of teaching through modern resources, such as online courses, so as to be able to offer a higher quality of education.

The Institute for Education will be developing courses to give supply teachers at different levels the opportunity to become regular teachers, once they successfully complete the necessary courses. Professionals who want to change their career and become teachers will also be able to take this course for this purpose.

When it comes to infrastructure, we will continue modernising our schools and next year we will be focusing on the school in Ғal Qormi.

8.3 Inclusive Education

Mr Speaker, besides the other curricular reforms, which are being introduced, we will continue endeavouring to reach other students who have different abilities.

To this end, we will continue to strengthen language teaching, so that a greater number of students will be able to achieve fluency in other languages, besides Maltese and English.

We will also be working so that more students choose STEM subjects related to the fields of science, technology and mathematics. We will strengthen the ties between secondary education and post-secondary

education, such as MCAST, Junior College, Sixth Forms and ITS, so that more young people continue their education and complete the relevant education programmes past the age of 16.

The Government's strategy is to further reduce students' stress levels and continue investing in the student's holistic wellbeing.

Gradually, half-yearly exams will be removed and replaced with a system of continuous assessment.

We will also be launching an educational campaign on the importance of a balanced and nutritious diet.

8.4 Elimination of examination fees

Mr Speaker, during the last scholastic year, this Government fulfilled one of this legislature's key promises; that it would start subsidising half of the fees for SEC and MATSEC exams, so that these would be less of a financial burden on applicants.

As of next year, MATSEC and SEC exam fees will be removed completely. Within two years of this legislature, we will have fully fulfilled this important promise.

8.5 Apprenticeships

As part of Government's commitment to improving apprenticeships and every kind of work experience and work-based learning for students, we will be designing and implementing a quality assurance framework. This will continue ensuring that whoever participates in such training programmes, will be better equipped to join the labour market.

Apart from that, the classification of courses offered by the University of Malta, MCAST, and other licensed educational institutes will be revised. This revision will incentivise more students to choose courses that the industry needs.

8.6 Youth

After we gave 16-year-olds the right to vote, the Government will be strengthening the Youth Parliament by encouraging more young people to take part and helping them acquire the abilities needed to take responsible decisions, while recognising the importance of their participation in society.

We will be developing a regional youthwork service which will provide informal education projects within schools, after formal school hours are over.

8.7 New healthcare services

Mr Speaker, I am convinced that the Maltese and Gozitan people greatly appreciate the huge strides we have made in the health sector. We will continue to improve on this all throughout the coming year.

In 2019, we will establish a number of new health services. Among them are a number of mental health facilities. This sector was neglected for many years, and Government believes it is time it is given the attention that it deserves.

The Government will be investing in a mental health clinic in the North of Malta, as well as a day centre and hostels which will allow people with mild mental health problems to remain within the community and stay as active as possible.

We will also be launching a new investment for children with difficulties which do not allow them to fully participate in our education system, such as children with autism. A specialised clinic will be developed in Marsa Primary School, which will be providing Sensory Integration Therapy to these children from around the Maltese islands.

The Children and Young People Services (CYPS) which currently forms part of St Luke's Hospital will be relocated to a more suitable alternative location.

Preparations are also underway for a new acute care hospital in the vicinity of Mater Dei, which is planned to include psychiatric outpatients.

Meanwhile, investment in Mater Dei Hospital's health services will continue. We will commence construction on a new wing for outpatient services, which will be better equipped than the existing one and which will allow us to expand our inpatient services to the present outpatient section. Works related to this project include the development of an underground carpark which will have around 500 parking spaces.

Investment in other new services such as Robotic Surgery, the reinforcement of existing services such as IVF and the placing of new equipment, including MRI at Mater Dei, are listed in Table 8.1.

Table 8.1 New Services at Mater Dei Hospital

Investment will continue on new services at Mater Dei, such as robotic surgery. This state-of-the-art equipment will allow our surgeons to perform operations with great precision. Up until now, every patient who has needed this kind of operation has had to be sent abroad.

Existing services will continue to be strengthened, among them the IVF service, which will be given additional funding, so that Government's plan can be carried out as established in the new law and the new protocols approved earlier this year. Following the changes and upgrades to the air conditioning system, two cath suites and other clinical apparatus which we carried out this year, the intensive maintenance programme will continue next year too, so that our patients will receive the best possible service at Mater Dei. The new equipment planned for Mater Dei includes a third MRI scanner. We will also begin trialling innovative active monitoring systems for patients with certain conditions. This should lead to more timely medical interventions.

Nevertheless, the Government will not forget its commitment to primary health care. A few weeks ago, a new Health Centre was opened in Ħal Kirkop. Works on the Public Healthcare Centre in Raġal Ġdid, which will be catering primarily to the needs of the population in the South of Malta are ongoing. We are also planning to extend this model to the northern part of the island.

Embellishment and modernisation works will continue in public clinics in cities and villages across Malta and Gozo, as will the extensive renovation programme, which includes the installation of modern equipment, in all health centres in Malta. In Gozo, a new, modern Health Centre will be opened in Rabat.

The projects that Government is carrying out in partnership with Steward Health Care will continue to come to life. After the Anatomy Centre is officially inaugurated in the coming days, the new Barts Medical School in Gozo will be completed and commence operations. The second intake of Barts medical students began in October.

Through new investment in IT infrastructure within the Ministry of Health, the existing system will be extended into new sectors.

The Government is committed to continue supporting health services for transgender persons, through a multidisciplinary team, as well as, new medicines and procedures.

Through an initiative between the Government, the Hospice Movement, and the Church in Malta, it will support the establishment of the St Michael Centre, offering professional palliative care to patients who are in the most critical moments of their lives. The Centre will also be providing respite to relatives who are enduring these difficult moments together with their loved ones.

8.8 The National Blood Bank

Thanks to the European Regional Development Funds, as well as, EEA Funds granted by the Government of Norway, we will be bringing the

services of the National Blood Bank up to date through the purchase of new equipment. More information can be found in Table 8.2.

Table 8.2 The National Blood Bank

This equipment will allow for the screening of a number of new diseases which have emerged in Europe in recent times. Besides that, the Blood Bank will be expanding its role by establishing a Centre for Blood, Tissue and Cells. The construction of this new centre is expected to start this year. It's worth reiterating that in the coming months, we will be making blood donation a possibility for all, regardless of the donor's sexual orientation. Whether or not they are able to donate blood will instead be assessed based on risk evaluation. We believe that this measure will lead not only to more equality among citizens, but also to an increase in the number of blood donors in Malta and Gozo.

8.9 New Medicines

The Government will continue investing in more medicines to ensure the treatment of more patients in Malta and Gozo, and to further improve access to high-quality healthcare for the most vulnerable people in our country. We will do so by introducing more innovative cancer treatments. Furthermore, we have established a committee that will be considering requests for medicines for rare illnesses or conditions, medicines which are not on the Government Formulary List for such conditions and which often cost each patient thousands of euros. Government will be earmarking a substantial amount of money for this measure to start being carried out.

We will be investing more in the treatment of infectious diseases such as Hepatitis C and HIV, with the aim of eliminating this disease from the Maltese islands. Next year, prostate medicines will be added to the Government's formulary.

Following the introduction of free sticks for all diabetes patients to monitor their blood glucose levels, the Government will be expanding services in this sector all throughout 2019.

It's worth pointing out that we will begin investing in a new automatic system which will help in the preparation and packaging of medicines which are distributed to people in the community, with the aim of increasing efficiency and security.

8.10 Strategy and research

Government acknowledges that in a sector as vast as healthcare, there needs to be a long-term strategic plan to ensure that, through our investment, we reach a broad range of people, taking care not to leave anyone behind. For this purpose, a strategic plan will be carried out for 2020 – 2030. There are more details about this in Table 8.3.

Table 8.3 A strategic plan for 2020-2030

This plan will be addressing sectors which up until now may have been neglected, such as mental health. The Government feels obliged to address the failure of various other legislations, which have always left this sector by the wayside.

As always, the Government is establishing a strategy based on evidence and research. Therefore, investment is already being carried out on a number of studies and surveys, such as the European Health Interview Survey, and the project financed by the European Social Fund about social inequality in healthcare in Malta.

Another sector which the Government feels needs to be updated urgently is genetics. Science has made extremely rapid strides in this field, and Malta needs to keep up the pace. Therefore, the Ministry for Health will be working with the University of Malta to further develop this area, not only in terms of a health service, but also from the aspect of research. The Government will also be investing in research in the field of cancer. As promised in the National Cancer Plan, it will be working to launch a foundation facilitating clinical cancer research in 2019.

8.11 Further investment in sport

Mr Speaker, the Government is committed to further strengthening the infrastructure for sports, so that our athletes achieve good results. Therefore, preparations related to the indoor pool in the National Sports Complex in Cottonera will continue, in order to provide aquatic sports with the boost that they need in order to continue adding to the successes achieved in past years.

Not only does the Government want to add new open spaces for families, especially children, to enjoy recreational time, but existent spaces need to be looked after. In previous years, national sports federations have invested in similar sites and passed them on to Local Councils. Unfortunately, for various reasons, a number of these open spaces and pitches have not been well-maintained, and nowadays, some of them cannot be used to their full potential and may even be dangerous places for children. SportMalta has identified 18 such places in 15 localities around Malta and Gozo. The Government will be embarking on a two-year programme, during which these open spaces and pitches will be renewed, through a €600,000 investment.

Last year, we received the first batch of applications from sports organisations applying to commercialise their facilities. In the coming year, we expect to start seeing the results of the law which we had passed so that sports organisations, especially football clubs, can make the leap towards professionalism.

The Government will continue escalating its fight against sports corruption, as it has already done in the past. After the law against sports corruption was passed, the Government will now be establishing the Sports Integrity Unit. The Unit will work hand in hand with national sports associations, with the Police, and with the Malta Gaming Authority, to keep Maltese sports free from cheating, and to educate children and help them grow in clean and wholesome sporting environment.

Together with the Maltese Olympic Committee, we will be planning out a national sports strategy for the next ten years. We fully believe that the results our athletes have achieved in past years can and should be improved, and therefore, this strategy will not only be aimed at increasing the number of sports participants, but also at achieving wins and medals in all possible sports disciplines in major international sporting events.

8.12 Culture

The Maltese people have a considerable cultural heritage which needs to be protected for future generations. As of next year, all students from state, church or independent schools up to secondary level, will be entitled to free access to Heritage Malta sites and museums. Two adults accompanying them will also be entitled to free entrance. This access will be granted all year round without any limits.

8.13 The Legacy of Valletta 2018

Valletta 2018 was an extraordinary experience which placed culture on a level never seen before.

As soon as the Valletta 2018 Foundation's work comes to an end at the close of this year, the Government will be establishing the Valletta Cultural Agency, to serve as a primary reference point for the development of cultural activities in our capital city, so that Valletta

2018's legacy can continue. The Agency will oversee and ensure the continued cultural regeneration of Valletta, with the aim of strengthening the impact on Valletta's economic and social development. This will elevate the level of infrastructure and services.

Mr Speaker, I must mention that in a few weeks' time, the MUŻA Museum will be inaugurated, while work has continued on the Malta International Contemporary Arts Space (MICAS).

8.14 The fight against Domestic Violence

Beyond empty words, we've strengthened the fights against domestic violence in a tangible way through the Gender-Based Violence and Domestic Violence Strategy & Action Plan. This strategy led to the full transposition of the Istanbul Convention through the law we passed last April. Through this, we have far harsher penalties for aggressors, and much better protection for victims of this social ill.

We will continue to consolidate all this next year and we are committed to further reducing this scourge.

8.15 Further reforms

The declaration that this is the most reformist Government in Maltese political history is still valid. It was a year where we continued working so that our country would make another liberal leap forward.

For the first time, in the elections that will be taking place in a few months' time, each young man or woman, who has reached at least the age of 16, will be able to exercise their right to vote. Malta will be the second country in the European Union which granted this right to its youths. Once again, it had to be this Government to make Malta's history. Next year will be another important one, where we will take decisions that were put off for many long years. Brave decisions, which will distinguish us and make a statement about who we are.

2019 will be a crucial year where, for the first time as a country, we will have a national plan against human trafficking. We will make the greatest investment ever made in a powerful educational campaign to teach the public how to recognise potential cases of human trafficking. We will show zero tolerance with criminals.

The same attitude applies when it comes to drug traffickers. The next phase of the cannabis reforms is to develop a national strategy on this subject. We will develop a model based on the principle that our children excel in different disciplines. We want them to be the best and the brightest, far from the influence of any substance. For this purpose, we will be creating a number of incentives to complement the educational campaign.

This Government has also proven, through facts, that it is the most feminist Government our country has ever seen. To further strengthen

this, we are working on an essential reform, so that Parliament will be more representative of the Maltese and Gozitan public. The reform for a more equal Parliament has now reached another stage. After a technical committee was set up last year to chair a number of meetings with stakeholders, in the coming weeks, Government will be publishing a green paper as part of the public consultation process. This is in preparation for a number of legal amendments which will be presented in Parliament and then introduced into the Constitution. Since we have a mandate from the people, we will make sure that there is a more balanced representation in Parliament.

8.16 The Voluntary sector

We will be publishing and promoting the national strategy for the voluntary sector. Not only that, but the Government will be helping and encouraging voluntary organisations by adding categories for organisations that benefit from tax exemption. Therefore, as of next year, small voluntary organisations whose yearly income does not exceed €10,000 will be tax exempt. Such organisations need to be registered and conform with the Commissioner for Voluntary Organisations, under a category recognised by the same Commissioner.

8.17 European Funds and Social Dialogue

Mr Speaker, in 2019 we will continue with our negotiations to ensure that our country gets a fair deal when it comes to the Structural and Cohesion

Funds which Malta will be receiving after 2020. Apart from that, we will be building on existing efforts to improve our operations and achieve better results when it comes to central European Fund programmes, such as Horizon2020, Life, Creative Europe and others.

The first Europaforum conference is scheduled to take place in Malta in 2019, to discuss the role of Malta within the European Union and the future of the European project.

This Government believes wholly in social dialogue and has once again strengthened the Malta Council for Economic and Social Development's (MCESD) resources and continued to invest in MEUSAC. Building on what we have done so far, next year we will be establishing the Competitiveness Board within the MCESD, which will have the adequate financial allocation to reach its aims, whilst spurring on our country's economic growth.

9. CONCLUSION

Mr Speaker,

As everyone knows, the Budget is riddled with numbers related to this measure or that measure.

With your permission, I would like to add a few more numbers. Just from one to seven, if you do not mind.

Because the Budget for the coming year, will be the first Budget for many new and unprecedented measures.

It is also the second Budget without any new taxes;

It is the third Budget with a surplus in public finances;

It is the fourth Budget with an increase for our pensioners;

It is the fifth Budget offering the In-Work Benefit;

It is the sixth Budget which will continue to offer free childcare;

And finally, it is the seventh Budget where taxes have been reduced.

That is why we can say that in Malta, we are living our success.

STATEMENT A
REVENUE 2018 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	REMARKS
TAX REVENUE				
Direct -				
Income Tax	1,564,000,000	1,682,000,000	118,000,000	An increase in Income Tax is anticipated by year-end, as a result of further improvement in performance when compared to the assumptions factored into the original budget.
			-	
Social Security	920,000,000	958,000,000	38,000,000	Excess revenue under Social Security Contributions is expected to materialise in reflection of employment performance.
Indirect -				
Customs and Excise Duties	317,000,000	317,100,000	100,000	Revenue is expected to increase when compared to the original projections under <i>Petroleum</i> and <i>Cement</i> however, lower receipts are expected under <i>Machine-made Cigarettes</i> and <i>Spirits</i> .
			-	
Licences, Taxes and Fines	329,435,000	366,553,000	37,118,000	Increases over the original estimates are expected by year-end mainly under <i>Duty on Documents</i> and <i>Motor Vehicle Registration Tax</i> .
Value Added Tax	835,500,000	889,000,000	53,500,000	An increase in Value Added Tax is anticipated by year-end, as a result of further improvement in performance when compared to the assumptions factored into the original budget.
			-	
TOTAL TAX REVENUE	3,965,935,000	4,212,653,000	246,718,000	

STATEMENT A
REVENUE 2018 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE €	REVISED ESTIMATE €	+	VARIATION €	-	€	REMARKS
NON-TAX REVENUE							
Fees of Office	63,333,000	74,714,000		11,381,000		-	The increase over the originally projected amounts arises mainly from the <i>Individual Investor Programme</i> , the <i>Residency and Visa Programme</i> , and revenue from <i>Energy Performance Certificates</i> .
Reimbursements	34,399,000	43,734,330		9,335,330		-	Higher receipts from <i>Infrastructure Fees</i> collected by the Planning Authority are expected to materialise by year-end.
Central Bank of Malta	50,000,000	35,000,000	-		15,000,000		Prudential considerations have informed a decision to reduce the dividend under this heading.
Rents	32,190,000	31,790,000	-		400,000		Higher receipts than originally anticipated at the time of budget preparations reflect increase under <i>Perpetual Leases</i> , whilst lower revenue is expected mainly under <i>Rent of Property occupied by Government Departments</i> .
Dividends on Investment	43,800,000	41,508,000	-		2,292,000		Lower receipts are expected by year-end in reflection of actual dividends which are likely to materialise.
Interest on Loans made by Government	276,000	276,000	-		-		

STATEMENT A
REVENUE 2018 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION +	-	€	REMARKS
Grants	127,652,000	154,410,000	26,758,000	-	€	Higher revenue is expected to accrue this year by way of reimbursement from European Union funded projects.
Miscellaneous Receipts	32,465,000	32,723,000	258,000	-	€	Higher receipts are expected to materialise under <i>Proceeds from Auctioning of Emission Trading Units</i> and <i>Miscellaneous Receipts</i> , whilst lower revenues are expected from <i>Sale of Government Lands</i> , and <i>Premium receivable from sale of MGSS</i> .
TOTAL NON-TAX REVENUE	384,115,000	414,155,330	30,040,330			
TOTAL REVENUE	4,350,050,000	4,626,808,330	276,758,330			

STATEMENT A
REVENUE 2018 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	REMARKS
NON-ORDINARY REVENUE				
Local Loans	350,000,000	300,000,000	- 50,000,000	The Revised Estimates reflect actual borrowing requirements resulting during the year when compared to the original budget.
Repayment of loans made by Government	2,000	2,000	-	
Proceeds from Sale of Shares	889,000	889,000	-	
Extraordinary Receipts	90,000,000	91,000,000	1,000,000	This revision is due to actual sums received upon conversion of Malta Government Stocks.
TOTAL NON-ORDINARY REVENUE	440,891,000	391,891,000	49,000,000	
GRAND TOTAL	4,790,941,000	5,018,699,330	227,758,330	

STATEMENT B
RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
1 Office of the President	5,094,000	6,176,000	1,082,000	-	Variance is mainly due under the <i>Travel and Equipment</i> items of the <i>Operational and Maintenance Expenses</i> category.
2 House of Representatives	10,103,000	6,763,000	-	3,340,000	The lower expenditure under this vote occurred mainly under <i>Rent</i> due to the timing of the new Parliament building handover.
3 Office of the Ombudsman	1,150,000	1,150,000	-	-	
4 National Audit Office	3,400,000	3,400,000	-	-	
5 Office of the Prime Minister	41,324,000	45,730,000	4,406,000	-	When compared to the original forecast, a variance is anticipated under the <i>Programmes and Initiatives</i> category (mainly under <i>Hosting of International Conferences</i>), and also through the strengthening of the <i>Servizz.gov</i> initiative in the <i>Contribution to Government Entities</i> category.
6 Information	1,284,000	1,302,000	18,000	-	
7 Government Printing Press	1,412,000	1,486,000	74,000	-	

STATEMENT B
RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
8 Electoral Office	3,577,000	3,477,000	-	100,000	
9 Public Service Commission	677,000	682,000	5,000	-	
10 Ministry for Health	575,480,000	605,686,000	30,206,000	-	Variance is due to higher expenditure under the <i>Personal Emoluments</i> category (<i>Salaries and Wages</i> and <i>Allowances</i>), the category of <i>Programmes and Initiatives</i> mainly under <i>Special Treatment by Foreign Experts, Medicines & Surgical Materials</i> , and <i>Mental Health Services</i> of the <i>Contributions to Government Entities</i> category.
11 Ministry for the Economy, Investment and Small Businesses	19,028,000	21,253,000	2,225,000	-	Additional funds are required under <i>Malta Enterprise</i> in the <i>Contributions to Government Entities</i> category.
12 Commerce	1,923,000	1,785,000	-	138,000	
13 Ministry for Education and Employment	284,525,000	303,661,000	19,136,000	-	The original amounts will need to be supplemented owing to additional uptake under the <i>Programmes and Initiatives</i> category mainly <i>Church Schools, Maintenance Grants, Learning Support Assistance in Private Schools, Afternoon School Programme - Skola Sajf</i> and <i>Child Care for All</i> .

STATEMENT B
RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
14 Education	237,285,000	259,928,000	22,643,000	-	Variance is expected under the <i>Personal Emoluments</i> category <i>Salaries and Wages, Allowances, Transport, Contractual Services and Equipment</i> items of the <i>Operational and Maintenance Expenses</i> category and under <i>Programmes and Initiatives</i> category under the <i>Extension of School Transport Network</i> .
15 Ministry for Energy and Water Management	77,536,000	100,789,000	23,253,000	-	The <i>Programmes and Initiatives</i> category <i>Feed in Tariff</i> , as well as <i>Engineering Resources Ltd</i> and <i>Water Services Corporation</i> in the <i>Contributions to Government Entities</i> Category, are likely to give rise to this budget variance by year end.
16 Ministry for European Affairs and Equality	19,642,000	20,790,000	1,148,000	-	Variances are projected mainly under the <i>Utilities, Travel, Contractual Services</i> and <i>Professional Services</i> items of the <i>Operational and Maintenance Expenses</i> category.
17 Industrial and Employment Relations	1,568,000	1,503,000	-	65,000	

STATEMENT B
RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE	REVISED ESTIMATE	VARIATION		REMARKS
			+	-	
	€	€	€	€	
18 Ministry for Finance	151,942,000	156,276,000	4,334,000	-	There is a decrease in the <i>Programmes and Initiatives</i> category under <i>EU Own Resources</i> which was partly utilised to cover <i>Compensation Payments</i> and <i>Court Judgements</i> occurring during the year. Additional funds were necessary for the <i>Financial Intelligence Analysis Unit</i> in the <i>Contributions to Government Entities</i> category.
19 Economic Policy	1,457,000	1,664,000	207,000	-	
20 Treasury	13,583,000	25,271,000	11,688,000	-	Expenditure under the <i>Programmes and Initiatives</i> category will be higher than originally forecast in view of the <i>Tax Relief Measure</i> .
21 Public Debt	658,999,000	648,362,000	-	10,637,000	Expenditure under <i>Local Borrowing</i> will be lower than originally forecast in view of <i>Interest (MGS)</i> and <i>Early Repayments of MGRSB</i> .
22 Inland Revenue	8,604,000	9,634,000	1,030,000	-	A variance is expected under <i>Contractual Services</i> and the category of <i>Programmes and Initiatives</i> mainly under <i>Refund of Succession Duty and Stamp Duty</i> .
23 V.A.T.	7,325,000	11,117,000	3,792,000	-	Expenditure under the <i>Programmes and Initiatives</i> category is expected to be higher than originally forecast in view of take up of <i>VAT Refunds</i> and <i>Expenditure Reporting Schemes</i> .

STATEMENT B

RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
24 Customs	11,990,000	11,790,000	-	200,000	
25 Contracts	1,591,000	1,666,000	75,000	-	
26 Ministry for Tourism	94,596,000	101,836,000	7,240,000	-	The <i>Personal Emoluments</i> category (<i>Salaries and Wages and Allowances</i>), the <i>Programmes and Initiatives</i> category (<i>Malta Freeport Interest Payments</i>) and the <i>Contributions to Government Entities</i> category (<i>Malta Tourism Authority</i>) are expected to give rise to the indicated variance by year end.
27 Ministry for Home Affairs and National Security	13,716,000	14,478,000	762,000	-	In the <i>Contributions to Government Entities</i> category an increase is expected under the <i>Agency for Welfare of Asylum Seekers</i> .
28 Armed Forces of Malta	51,628,000	53,338,000	1,710,000	-	Supplementary funding is required under the <i>Personal Emoluments</i> category <i>Allowances</i> and under the <i>Rent and Contractual Services</i> items of the <i>Operational and Maintenance Expenses</i> category
29 Police	61,375,000	66,939,000	5,564,000	-	New initiatives undertaken by the police force resulted in variances under the <i>Personal Emoluments</i> category (<i>Salaries and Wages, Allowances and Overtime</i>).

STATEMENT B
RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
30 Correctional Services	12,387,000	14,115,000	1,728,000	-	A variance is expected under the <i>Personal Emoluments</i> category (<i>Salaries and Wages, Allowances and Overtime</i>).
31 Probation and Parole	1,165,000	1,224,000	59,000	-	
32 Civil Protection	6,186,000	6,159,000	-	27,000	
33 Ministry for Justice, Culture and Local Government	65,193,000	68,068,000	2,875,000	-	Supplementary provisions are required under <i>Salaries and Wages and Allowances</i> , from the <i>Personal Emoluments</i> category, the <i>Materials and Supplies</i> and <i>Transport</i> items of the <i>Operational and Maintenance Expenses</i> category, and in the category of <i>Programmes and Initiatives</i> , under <i>Environmental Upgrade Campaign</i> . Funds were provided to the <i>Malta Philharmonic Orchestra</i> and <i>Malta Competition and Consumer Affairs</i> in the <i>Contributions to Government Entities</i> category.
34 Judicial	15,404,000	18,836,000	3,432,000	-	A variance occurred under the category of <i>Programmes and Initiatives</i> mainly, <i>Summoning & Expenses of Witnesses, Jurors and Experts in Criminal Court Trials</i> .
35 Local Government	43,769,000	43,959,000	190,000	-	

STATEMENT B
RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
36 Ministry for the Environment, Sustainable Development and Climate Change	96,651,000	102,662,000	6,011,000	-	Variances are expected under the <i>Personal Emoluments</i> category <i>Salaries and Wages and Allowances</i> , as well as the <i>Environmental and Resources Authority</i> and the <i>Malta Resources Authority</i> under <i>Contributions to Government Entities</i> .
37 Ministry for Foreign Affairs and Trade Promotion	33,573,000	32,368,000	-	1,205,000	Savings are expected to be registered under the <i>Personal Emoluments</i> category (<i>Salaries and Wages</i>).
38 Ministry for Transport, Infrastructure and Capital Projects	86,123,000	96,344,000	10,221,000	-	Variances are projected in the <i>Personal Emoluments</i> category <i>Salaries and Wages and Allowances</i> , in the <i>Operational and Maintenance Expenses</i> category under <i>Professional Services</i> and under <i>Programmes and Initiatives</i> category <i>PSO - Public Transport, PSO Inter-Island Transportation, Dues to Malta Investments, Grant for Electrical Vehicles and Tal-Linja Card</i> .
39 Ministry for Gozo	33,211,000	37,390,000	4,179,000	-	Variances are expected under <i>Personal Emoluments</i> category, <i>Salaries and Wages and Allowances</i> and, under the <i>Programmes and Initiatives</i> category namely <i>Cultural Initiatives and Work and Training Exposure Scheme</i> .

STATEMENT B
RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
40 Ministry for the Family, Children's Rights and Social Solidarity	80,151,000	85,095,000	4,944,000	-	Higher expenditure is expected in the <i>Personal Emoluments</i> category under <i>Salaries and Wages</i> and <i>Allowances</i> . Variances are expected under the <i>Programmes and Initiatives</i> category namely <i>Residential Homes for Persons with Disability</i> and <i>Public Social Partnerships</i> , as well as in the category for <i>Contributions to Government Entities</i> under <i>Foundation for Social Welfare Services</i> .
41 Social Policy	314,905,000	327,776,000	12,871,000	-	The excess is mainly due to an increase in the <i>State Contribution</i> under the <i>Programmes and Initiatives</i> category in reflection of higher social security contributions received.
42 Social Security Benefits	982,250,000	971,000,000	-	11,250,000	Savings are expected under <i>Contributory Benefits</i> Category, mainly <i>Retirement Pensions</i> and <i>Widows Pensions</i> and under <i>Non-Contributory Benefit</i> category mainly <i>Old Ages Pensions, In-Work Benefit</i> and <i>Disability Pensions/Allowance</i> . This was compensated by additional funding under <i>Bonus</i> and <i>Short -Term Benefits</i> under the <i>Contributory Benefits</i> , and under <i>Children's Allowances, Social Assistance, Bonus</i> and <i>Supplementary Assistance</i> in the <i>Non-Contributory Benefits</i> category.

STATEMENT B
RECURRENT EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
43 Pensions	106,140,000	110,814,000	4,674,000	-	A variance is expected in the <i>Programmes and Initiatives</i> category, mainly in Pensions and Allowances under the Pensions Ordinance.
44 Social Welfare Standards	1,202,000	1,284,000	82,000	-	
45 Elderly and Community Care	110,119,000	128,078,000	17,959,000	-	Variances are projected under <i>Salaries and Wages, Allowances and Overtime</i> from the <i>Personal Emoluments</i> category, in the <i>Operational and Maintenance Expenses, Contractual Services</i> and due to higher take up of services under the <i>Programmes and Initiatives</i> category namely <i>Residential Care in Private Homes</i> .
TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING	4,350,243,000	4,533,104,000	182,861,000	-	

STATEMENT C

CAPITAL EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
	€	€	€	€	
I Office of the President	459,000	659,000	200,000	-	Additional expenditure is anticipated for the refurbishment of the Official Gozo Residence, the resurfacing of the main courtyard at Sant Anton Presidential Palace and other works carried out at the Office of the President.
II House of Representatives	588,000	288,000	-	300,000	Lower expenditure is expected under <i>Rehabilitation and Adaptation Works</i> .
III Office of the Prime Minister	39,254,000	34,484,000	-	4,770,000	Higher expenditure is anticipated mainly under <i>ICT, Improvement to buildings (OPM) and Equipment</i> (Government Printing Press). Lower expenditure is anticipated under <i>Structural Funds 2014-2020</i> (payments expected to be disbursed in 2019) and <i>Refurbishment Works at IAID</i> .
IV Ministry for Health	35,278,000	30,838,000	-	4,440,000	Higher expenditure is projected under <i>European Territorial Cooperation Programmes, Mater Dei Hospital and Mount Carmel Hospital</i> . Lower expenditure is anticipated mainly under <i>ICT, Structural Funds 2014-2020, Connecting Europe Facility, and EEA/Norwegian Financial Mechanisms 2014-2021</i> (payments in respect of foreign funded project expected to be disbursed in 2019).

STATEMENT C

CAPITAL EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE	REVISED ESTIMATE	VARIATION		REMARKS
			+	-	
	€	€	€	€	
V Ministry for Economy, Investment and Small Businesses	28,925,000	51,682,000	22,757,000	-	Expenditure under this Vote is expected to be higher mainly due to additional funds required for <i>Investment Incentives</i> . Lower expenditure is envisaged under Structural Funds 2014-2020 (payments expected to be disbursed in 2019).
VI Ministry for Education and Employment	58,220,000	74,052,000	15,832,000	-	Expenditure is anticipated to be higher mainly under <i>ICT, Structural Funds 2014-2020 and Shooting Range</i> , which will be partly offset by lower expenditure than planned mainly under <i>Marsascalea Waterpolo Pitch, Indoor Pool at the Cottonera Sports Complex and My Journey</i> .
VII Ministry for Energy and Water Management	8,416,000	26,860,000	18,444,000	-	Higher expenditure is anticipated mainly under Structural Funds 2014-2020, Direct Management Funds and Cohesion Funds 2014-2020.
VIII Ministry for European Affairs and Equality	41,692,000	41,406,000	-	286,000	Higher expenditure is projected under <i>Internal Security Fund - Borders and Visa, Internal Security Fund - Police, Asylum, Migration and Integration Fund</i> . Lower expenditure is anticipated mainly under Structural Funds 2014-2020 (payments expected to be disbursed in 2019).

STATEMENT C

CAPITAL EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
IX Ministry for Finance	34,998,000	100,642,000	65,644,000	-	Higher expenditure is expected mainly under <i>Contribution towards Treasury Clearance Fund, Construction Works and Equipment (Ministry and Customs), Investment -Equity Acquisition and Hercule III Programme 2014-2020.</i>
X Ministry for Tourism	17,089,000	19,665,000	2,576,000	-	Expenditure is expected to be higher mainly due to additional funds required for Institute of Tourism Studies and the Grand Harbour Regeneration Corporation. Lower expenditure is envisaged under Regeneration Works and Electrical Installation Works.
XI Ministry for Home Affairs and National Security	20,448,000	19,132,000	-	1,316,000	Lower expenditure is expected under Construction Works and Equipment (AFM and Correctional Services). Expenditure is expected to be higher mainly under Structural Funds 2014-2020, Research and Development - Equipment and Construction/Upgrading Works and Equipment (Police).

STATEMENT C

CAPITAL EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION		REMARKS
			+	-	
XII Ministry for Justice, Culture and Local Government	18,984,000	23,580,000	4,596,000	-	Additional expenditure required under ICT, Structural Funds 2014-2020, Restoration of Forts, Fortifications and Historical Places, the restoration of the facades and civil works at Admiralty House to house the Attorney General's Office and the Networking project at the Court of Justice. Lower expenditure than originally anticipated is expected to materialise mainly under Jesuits Church and Collegium Restoration Project and Upgrading of Manoel Theatre.
XIII Ministry for the Environment, Sustainable Development and Climate Change	50,887,000	49,074,000	-	1,813,000	Additional expenditure is envisaged mainly under ICT EU Cohesion Fund 2007-2013, Life+ Programme, European Maritime and Fisheries Fund 2014-2020, Direct Management Funds, Cohesion Fund 2014-2020, Environment Landscaping Projects. Lower expenditure is anticipated under European Agricultural Guarantee Fund 2014-2020, WasteServ Malta Ltd, Modernisation and Equipment - Refurbishment Works at the Marsa Plant..
XIV Ministry for Foreign Affairs and Trade Promotion	2,209,000	2,528,000	319,000	-	Higher expenditure anticipated under Structural Funds 2014-2020.

STATEMENT C

CAPITAL EXPENDITURE 2018: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
XV Ministry for Transport, Infrastructure and Capital Projects	89,609,000	91,931,000	2,322,000	-	Higher expenditure under this Vote is expected mainly under ICT, <i>Structural Funds 2014-2020, Connecting Europe Facility, Malta-Gozo link feasibility study, Enhancement of Public Areas and Upgrading of existing storm-water system</i> . This is compensated by lower expenditure which is expected primarily under <i>European Maritime and Fisheries Fund 2014-2020, Cohesion Fund 2014-2020, Rehabilitation project and Repairs to Government Tenements</i> .
XVI Ministry for Gozo	11,176,000	8,706,000	-	2,470,000	Higher expenditure is expected under <i>Eco-Gozo and Improvement to Sports Facilities</i> . Lower expenditure is envisaged mainly under <i>Development of the Government Experimental Farm in Gozo, Upgrading of St Francis Square, Xlendi Regeneration (including Cruise Liner Facilities), Home for the Elderly and the Law Courts</i> .
XVII Ministry for Family, Children's Rights and Social Solidarity	16,957,000	15,923,000	-	1,034,000	Lower expenditure is anticipated mainly under <i>Structural Funds 2014-2020 and the Mtarfa Day Centre</i> .
TOTAL CAPITAL EXPENDITURE	475,189,000	591,450,000	116,261,000	-	