

responsibility – sustainability – solidarity

budget 2009

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Mr. Speaker,

Together, we can overcome the huge challenges brought about by the global crisis.

This evening, I call for a genuine and strong effort by all political, economic and social forces in order to continue leading our country towards success.

This is a Budget built on the wisdom of our people, who have always proven themselves capable of overcoming any challenge when pulling in the same direction.

We find ourselves at a defining moment in our country's history.

Fierce storms are wreaking havoc around us, and these demand that we make responsible choices. Faced by these violent winds of change, we can either choose to take the easy way out, by letting the wind toss us at its whim without taking us anywhere in particular. Alternatively we can act as sails which harness this wind in order to move forward intelligently, wisely and responsibly.

Decisions taken today will define our future. Everyone, including our children, our families, our elderly and our youths depend on these decisions.

The Maltese nation has made great achievements throughout the years. This is the fruit of sheer hard work and a sense of responsibility shown by our families, in tandem with Government's vision and efforts. We are determined to safeguard this prosperity and sustain it. Only this way can

we rest assured that that our children will also prosper and be in an even better position than us.

This is not the first time we have had to face difficult situations.

Back in 1991, as Europe was being hit by recession, we could have chosen to retreat into our shells. Instead, we chose to continue investing in infrastructure which was sorely lacking in our country. We built the airport, kilometres of roads, schools, and implemented many other projects.

Even when it came to EU accession we had difficult decisions to make. We implemented crucial but difficult decisions, such as the removal of levies and the opening of our markets to competition. Time is proving that the direction chosen by Government was the right one.

Recently we also faced another important challenge when we decided to enter the Euro zone. We needed to implement difficult changes in order to achieve our objectives. Detractors tried to dishearten us, alleging that we were moving too fast and that we were going to create a crisis in our country. However, together we managed to achieve these goals. Today's circumstances prove that it would have been disastrous had Government paid heed to those who advised a postponement.

By acting diligently and responsibly we managed to overcome these vitally important challenges in our country's recent history.

Government does not doubt that by exercising the same diligence and responsibility we will also manage to overcome the difficulties facing us today.

Mr Speaker,

This Government wants our country to progress.

This Government believes that our country is capable of progressing.

This Government wants each and every member of our society to achieve his or her full potential.

Mr. Speaker,

This Government's main goal is achieving sustainable development. Government believes that our country has further potential for growth and development, both economically as well as socially. This belief lies at the core of Government's Vision 2015, a vision based on excellence in those domains where we possess particular strengths and advantages.

Solutions chosen today must be linked to our Vision, and the main pillars of work, education and the environment must remain at the core of Government's efforts towards achieving sustainable development. This must be accomplished by aiming to bequeath to future generations a society which:

- is more equitable and fair;
- possesses a healthy economy;

- enjoys better quality water, air and sea;
- boasts a well-preserved historical and cultural heritage;
- lives in more attractive localities;
- enjoys a better protected and embellished countryside;
- enjoys better health; and
- benefits from better opportunities.

This is sustainable development.

We have listened, discussed and debated. The time has now arrived for our country to take decisions.

In order to act on the challenges we are anticipating next year, Government has drawn up an economic plan to stimulate economic activity, without however prejudicing future generations.

Government employed three main tests in the development of this budget: responsibility, sustainability and solidarity. At each step we posed ourselves three questions. First: What responsibilities does this proposal place on us? Second: is this initiative sustainable? Third: Will this create a better future for everyone, including those who genuinely need our support?

We understand that our country's economy, like that of all other developed countries, needs to undergo a difficult

adjustment period. However, as the Government, we must ensure that everyone progresses.

We must continue striving to sustain our economic growth without weakening our social foundations. The solidarity principle must continue guiding every decision we take. We must aspire to a better standard of living without damaging our environment. And we must make optimal use of our natural, economic and human resources.

Only in this way can we achieve sustainable development.

Financial and Economic Situation

International Economic Situation

The gloomy international economic indicators which appeared in the early months of this year were already of concern to us, particularly due to the increase in oil and food prices.

The hike in oil prices was the result of global economic growth which led to an increased demand for oil. While our country was feeling the pinch caused by oil prices, it was also reaping the fruit of global economic growth. This was resulting in greater investment and more job creation.

Today, the situation is radically different. What we are experiencing today is the result of the collapse of the international financial system, which brought about unprecedented market crashes, a credit crunch and the reduction in economic growth expectations.

This crisis, which culminated in September this year with Lehman Brothers' bankruptcy, became widespread and continued increasing in momentum, threatening the stability of the global financial system. Countries with large and strong economies are now facing great difficulties. Although these concerns seem to have abated slightly following interventions by Governments and central banks, they remain a reality and are still ongoing.

Presently we can observe many economies around the world which are either performing sluggishly or else have reached a

point of stagnation. The European Commission, the International Monetary Fund, and other institutions reduced their economic growth forecasts for all countries with which we have trade links.

The latest economic forecasts indicate that the economies of the 27 EU Member States are expected to grow by an average of 1.4 per cent this year, but this will reduce to 0.6 per cent next year. Economic growth in the Euro zone Member States is expected to be 1.3 per cent this year and 0.2 per cent next year. However, the major economies, namely Germany, the United Kingdom, France, Italy and Spain, have either already entered into a period of substantial economic stagnation or else are expected to enter into a period where their economy will shrink. In this scenario, unemployment in the major economies, and especially those with whom we have strong commercial ties, is expected to increase.

Due to various factors, not least the widespread economic stagnation, the price hikes of various raw materials, food and oil seem to have become contained. Consequently, this surge in prices seems to have reached its apex this year and is expected to decrease in the coming months.

Malta's Economic Situation

This year our country's economy is expected to increase by an average of approximately 3 per cent; this is a very positive growth rate when compared to that of other countries and the European average. For 2009, we are estimating that the Maltese economy will grow at a rate of around 2.5 per cent. Full-time employment continued increasing, with an average growth of 3.3 per cent in the first six months of this year when compared to the same period last year. During the same period, the average increase in employment expenditure rose by approximately 2 per cent; this was a relatively low increase when compared to that of our competitors, and further helped to strengthen our economy's competitiveness. During the same period, the unemployment rate continued falling regularly, to the extent that in September this year the number of persons registering as unemployed decreased to 5,390, the lowest level for many years.

A detailed economic analysis is found in the Economic Survey which I am tabling in the House.

Cost of Living Adjustment

Inflation reached 3.7 per cent in September. Due to the international economic situation we are anticipating more modest increases in prices.

Mr. Speaker, the Cost of Living Adjustment, as calculated on the basis of the inflation rate in September this year, shall amount to €4.08 weekly. This adjustment does not include the amount of €2.33 we anticipated last year. Pensioners will

receive this increase in full through the same payment method used last year.

Financial Situation in 2008

For this year, Government had forecast a Consolidated Fund deficit of 68.4 million euros, representing of 1.2 per cent of the Gross Domestic Product.

Government revenue increased by 142 million euros, as a result of economic growth, more and better jobs, higher company profits and strong trade development. It is worth recalling that this year the Maltese and Gozitan people are benefiting from substantial tax cuts which are placing more than 56 million euros in people's pockets.

Concerning spending, capital expenditure did not vary except on projects which are still at their early stages. As forecast, the opening of Mater Dei Hospital, as well as investment related to schools, led to a substantial increase in recurrent expenditure.

Wages increased by 31 million euros when compared to 2007, thanks to constantly improving conditions in public sector employment.

The largest variation is found under programmes and initiatives, where pensions and social benefits, and subsidies for sectors requiring support, such as agriculture, students and public services, increased by 74 million euros when compared to 2007.

Concerning contributions to public entities, Government spent 9 million euros more than last year, mainly in the health sector in view of the fact that while Mater Dei Hospital is handling medical interventions, convalescence is handled in Karen Grech Hospital which is complementing Zammit Clapp Hospital.

Due to the extraordinary circumstances which our country has undergone this year, particularly brought about by the increase in oil prices, Government acted responsibly in protecting the country's economic and social situation by choosing to transfer more than 55 million euros worth of subsidies to Enemalta Corporation. This assistance had a significant impact on our established goals to the extent that that it derailed our objectives by 1 per cent of the Gross Domestic Product. We also provided an additional 56 million euros to offer voluntary retirement schemes to Malta Shipyards Ltd. employees.

Without these two extraordinary circumstances, the deficit for this year would not have been of 200 million euros but 90 million, that is 1.8 per cent of the Gross Domestic Product. National debt is expected to amount to 62.8 per cent of GDP, thus remaining within sustainable limits.

Financial Situation in 2009

A sustainable financial situation and a prudent fiscal policy are essential ingredients for investment in our country. Had the forecasts for next year promised that our country maintains an economic growth rate of around 3.5 per cent,

the achievement of a surplus by 2010 would have been fundamental.

However, the precarious international situation, and the impact that this is already having on our country require that Government uses the fiscal flexibility that it reacquired in these last years. Circumstances require that Government has an investment strategy in place which allows us to ensure sustainable economic development and which safeguards against and responds to external pressures.

On the other hand, this does not imply that we can reach an uncontrolled deficit. I must emphasise, Mr. Speaker, that a serious financial policy attracts the best investment towards our country. Therefore, while in present circumstances it is wise to review our objectives, it does not mean that we should scrap our goals.

In view of the international economic situation, Government is presenting a three-year financial package, whereby we aim to achieve a surplus by 2011, instead of 2010. It is thus expected that 2009 will close with a deficit of 98.8 million euros, that is 1.6 per cent of the Gross Domestic Product.

Tax revenue is expected to increase by 117 million euros, that is, 22 million euros less than the increase registered this year in relation to last year. We felt that the tax burden on the Maltese people should be relatively alleviated.

Thanks to more and better jobs, revenue from income tax and social security contributions will increase by 60 million euros and 15 million euros respectively. In view of the country's expected economic and commercial performance, we are

anticipating an increase of 23 million euros in VAT revenue, 16 million from Customs and Excise Duties and 4 million euros from licences and other miscellaneous taxes. Government will receive an additional 49 million euros from other sources of revenue when compared to this year.

In terms of recurrent expenditure, there will be an increase of 67 million euros on programmes and initiatives, pensions and social benefits. However, the total recurrent expenditure will decrease by 18 million euros when compared to this year, due to the fact that expenditure for the current year included 111 million euros related to the Drydocks schemes and subsidies to Enemalta Corporation, as already explained.

In the field of capital expenditure, also thanks to funds provided by the European Union, capital investment will increase to 348 million euros in 2009 when compared to 275 million euros in 2008.

In Tables No. 2.1 up to 2.3 and Appendix A, which I request the House to take as read, we are presenting detailed results of the Consolidated Fund position for this year and details of the expected financial results for 2009-2011.

Table No. 2.1

FINANCIAL POSITION 2007-2008

	2007		2008			
	Actual		Approved		Revised	
	€000	€000	€000	€000	€000	€000
Consolidated Fund Position						
Total Revenue		2,224,461		2,410,818		2,384,565
Tax Revenue	1,982,019		2,122,339		2,120,770	
Non-Tax Revenue	242,442		288,479		263,795	
Total Recurrent Expenditure		2,075,688		2,150,843		2,309,478
Recurrent Expenditure	1,896,636		1,968,453		2,123,081	
Interest Payments	179,052		182,390		186,397	
Recurrent (Deficit)/Surplus	148,773		259,975		75,087	
Capital Expenditure		257,903		328,400		275,197
Total Expenditure		2,333,591		2,479,243		2,584,675
(Deficit)		(109,130)		(68,425)		(200,110)
Financing						
Direct Loan Repayments	0		0		(93,176)	
Sinking Fund Contributions	(21,214)		(19,220)		(19,220)	
Investment (Equity Acquisition)	0		0		(6,500)	
Converted Loans Sinking						
Funds Residue	14,894		32,408		33,350	
Sale of Assets	0	(6,320)	0	13,188	0	(85,546)
Public Sector Borrowing Requirement		(115,450)		(55,237)		(285,656)
Foreign Loans		0		0		0
Opening balance as on 1 January	(66,522)		(76,197)		(55,932)	
Local Loans	126,040	59,518	186,350	110,153	279,526	223,594
Closing balance 31 December		(55,932)		54,916		(62,062)
E.S.A. '95 Adjustments		12,730		(1,868)		10,510
General Government (Deficit)		(96,400)		(70,293)		(189,600)
G.D.P.	5,415,000				5,739,100	
Deficit as % of G.D.P		2.02%			3.49%	
General Government Deficit as % of G.D.P		1.78%			3.30%	

FINANCIAL POSITION 2007 - 2011

Euro '000

	2007 Actual		2008 Revised		2009 Projections		2010 Projections		2011 Projections	
Consolidated Fund (C.F.) Position										
Total Revenue		2,224,461		2,384,565		2,551,318		2,666,977		2,792,047
Tax Revenue	1,982,019		2,120,770		2,238,263		2,360,906		2,482,906	
Non-Tax Revenue	242,442		263,795		313,055		306,071		309,141	
Total Recurrent Expenditure		2,075,688		2,309,478		2,302,233		2,347,817		2,396,979
Recurrent Expenditure	1,896,636		2,123,081		2,105,929		2,146,972		2,195,092	
Interest Payments	179,052		186,397		196,304		200,845		201,887	
Recurrent Surplus	148,773		75,087		249,085		319,160		395,068	
Capital Expenditure		257,903		275,197		347,931		344,605		329,765
Total Expenditure		2,333,591		2,584,675		2,650,164		2,692,422		2,726,744
C.F. (Deficit) / Surplus		(109,130)		(200,110)		(98,846)		(25,445)		65,303
Financing										
Direct Loan Repayments	0		(93,176)		(208,162)		(191,113)		(128,408)	
Contributions to Sinking Funds	(21,214)		(19,220)		(17,162)		(18,600)		(18,200)	
Equity Acquisition	0		(6,500)		(100)		(100)		(100)	
Converted Loans Sinking Funds Residue	14,894		33,350		0		0		8,500	
Sale of Assets	0	(6,320)	0	(85,546)	0	(225,424)	0	(209,813)	0	(138,208)
Public Sector Borrowing Requirement		(115,450)		(285,656)		(324,270)		(235,258)		(72,905)
Foreign Loans		0		0		0		0		0
Opening balance as on 1 January	(66,522)		(55,932)		(62,062)		113,668		178,410	
Local Loans	126,040	59,518	279,526	223,594	500,000	437,938	300,000	413,668	150,000	328,410
Closing balance 31 December		(55,932)		(62,062)		113,668		178,410		255,505
E.S.A. '95 Adjustments*		12,730		10,510		10,756		9,156		12,474
General Government (Deficit) / Surplus	(96,400)		(189,600)		(88,090)		(16,289)		77,777	
Gross Domestic Product	5,415,000		5,739,100		5,990,200		6,263,800		6,541,500	
C.F. (Deficit) / Surplus as a % of Gross Domestic Product	-2.02%		-3.49%		-1.65%		-0.41%		1.00%	
General Government (Deficit) / Surplus as a % of Gross Domestic Product	-1.78%		-3.30%		-1.47%		-0.26%		1.19%	

*Excluding possible Malta Shipyards Ltd Effect

Table No. 2.3

STATEMENT OF PUBLIC DEBT

Euro' 000

	2007	2008	2009	2010	2011
Malta Government Stocks	2,761,371	2,962,471	3,254,307	3,363,194	3,384,786
Treasury Bills	346,319	346,355	170,579	105,836	29,141
Ex-MDD Loans	57,033	56,880	56,880	56,880	56,880
Foreign Loans	121,241	113,946	100,565	93,743	86,920
EBU's / Local Councils	82,264	95,765	95,765	95,765	95,765
Currency	0	29,574	29,574	29,574	29,574
General Government Public Debt *	3,368,228	3,604,991	3,707,670	3,744,992	3,683,066
<i>Gross Domestic Product</i>	<i>5,415,000</i>	<i>5,739,100</i>	<i>5,990,200</i>	<i>6,263,800</i>	<i>6,541,500</i>
Debt as a % of GDP	62.20%	62.81%	61.90%	59.79%	56.30%

*Excluding possible Malta Shipyards Ltd effect

Economic Strategy

The international economic situation is in a precarious state. Although the Maltese economy is still generating employment, we are fully aware of the huge risks we face. If we drop our guard, events unfolding abroad can also hit our shores.

This Government knows where it wants to arrive.

We launched Vision 2015 in order to continue diversifying and strengthening our economic base and in order to contribute towards the achievement of our people's aspirations, within the parameters of the sustainable development strategy we have established for our country. We have drawn up a working programme for the various sectors of life, which continues building on past achievements and strengthens the advantages our country enjoys in international markets. We want to create a favourable environment for investment which provides peace of mind to potential investors. This will lead to the creation and further growth of prosperity.

Government believes in a market economy which is adequately and fairly regulated. We must ensure free and fair markets, both for economic operators and consumers. For this purpose, Government is bolstering the institutions which ensure fair market competition and consumer protection. Moreover, Government will intensify its fight against tax evasion and other abusive market practices. These impinge negatively on honest enterprises and erode consumer confidence. At the same time, such practices undermine

Government activities and finances and inflict a heavier and unfair burden on workers and honest businesses. I therefore declare that we will leave no stone unturned in this mission.

Mr. Speaker, we shall endeavour to continue supporting our country's macro-economic stability. We shall continue to strive towards increased productivity and competitiveness, while further endeavouring to introduce higher levels of efficiency and accountability particularly in sectors financed by public funds. We shall continue to incentivise and reward work, industriousness, enterprise and creativity amongst our people. Only this way can we continue improving the quality of life we enjoy while ensuring a healthy future for future generations.

Mr. Speaker, we shall persist with our liberalisation policy for the benefit of consumers in sectors which still operate within a restrictive environment. To this end, we have launched our Vision for Public Transport. We shall continue with the privatisation process of those entities which are not of strategic importance for our country and which can be managed more efficiently by the private sector. We intend to conclude the privatisation processes for Malta Drydocks and Enemalta's petroleum division, while launching a privatisation process for yacht marinas.

This policy should lead to increased market competition, greater efficiency and optimisation of consumer services. We need to continue removing unjustified subsidies which impose an undue burden on workers and taxpayers.

Current circumstances dictate that we act with vision and courage in order to safeguard against the economic crisis which is engulfing other countries and which can also reach our shores. Through this Budget, we intend to convey a message of courage to everyone while continuing to fortify our defences against the international economic storm. We shall invest substantially in our country's productive sectors, and in our people, in order to continue looking forward with courage while continuing to build our country on solid foundations.

We are aware of our country's particular circumstances. In our open economy, not all investments leave the desired impact. We need to invest responsibly aimed towards promoting our country's sustainable development.

Hence, through this Budget we shall invest substantially in six important sectors:

1. 124 million euros on infrastructural works which are instrumental for economic and social growth, including construction of roads, factories, schools and other facilities;
2. 61 million euros on heavy investment in environmental projects;
3. 58 million euros on a programme to further enhance our people's skills. This expenditure does not include expenditure on our country's educational system;

4. 30 million euros on a series of alternative energy projects, and other projects, which are expected to improve efficient energy use,
5. 47 million euros on incentives in favour of our enterprises, including SMEs, and our various economic sectors, including tourism; and
6. A series of other measures to incentivise work, and to attract towards our shores all the skills that we require in order to sustain and expand our various economic sectors.

Mr. Speaker, this is a special investment package that exceeds 320 million euro. That is the amount we are investing in our economy, Mr. Speaker.

In times like these it is necessary that we act courageously and continue investing in order to increase prosperity and create jobs for our people. We have all contributed towards our country's success. Through our collective diligence, courage and efforts there is no reason why we should not continue sustaining and increasing such success.

Mr. Speaker,

We believe in the huge potential of our people. It is necessary that we carry out such investment in our country's productive capacity diligently and responsibly in order to promote sustainable development.

Our country deserves no less and this is what we shall achieve for our people.

Economic incentives for sustainable development

Economic development is a major contributor towards sustainable development. In such way our country can continue sustaining education, health, social services and the investment required for a better environment.

Job creation is the Government's main objective. Work is the key to an improved quality of life, while providing a livelihood and dignity to workers and their families.

As part of our economic strategy to respond to the realities that our economy and industry shall face during 2009, and aiming to support a favourable environment for job creation, Government is announcing a packet of initiatives with the following objectives:

- To support local enterprise, as well as to attract foreign investment;
- To incentivise further research and innovation;
- To identify new markets; and
- To continue developing industrial zones in our country.

Government shall continue in this direction and shall offer new incentives conducive towards further expansion and investment by industry in research, development and innovation activities.

Incentivising Enterprise

During this year, Malta Enterprise approved 29 industrial projects, some of which were new, while others were extensions of existing projects. Fifteen of these projects were financed by foreign investment while approximately 10 million euros were invested in the form of financial aid to industry under various schemes and incentives. These include tax credits on investment and a regeneration scheme for Gozo, schemes for innovative start-ups, an Explanatory Award to assist companies to apply for European Union projects, SME Development Grants, and assistance for participation in fairs and trade missions.

We shall launch five new schemes via Malta Enterprise, with an investment of 20 million euros spread over a five year period in order to achieve these objectives:

- International Competitiveness, with an investment of 2.5 million euros, in order to develop initiatives for penetrating new markets;
- Research and Development Grants, with an investment of 3.5 million euros, in order to increase investment in the research and development industry;
- Innov Act, with an investment of 9 million euros, in order to assist small and medium sized enterprises in the development of innovative processes, products and services;

- Small Start-Up Scheme, with an investment of 2.5 million euros, in order to help innovative start-ups; and
- E-business Development Grant Scheme, with an investment of 2.5 million euros, in order to further incentivise information technology take-up in business operations.

[Kordin Business Incubation Centre](#)

Besides the aforementioned start-up scheme we shall also expand the facilities wherein new and innovative enterprises can launch their operations.

The Business Incubation Centre in Kordin hosts 32 companies and it is expected to increase twofold the currently utilised space with an investment of 2.8 million euros. Consequently, we shall be doubling the potential for the creation of new businesses.

[Research and Innovation - Biotechnology Park](#)

We shall also be launching an investment of approximately 15 million euros for the setting up of a Bio Technology Park in the San Ġwann industrial zone as part of Government's strategy to increase research and innovation in our country. This besides the 3.5 million euros in grants which shall be offered by Malta Enterprise,

This Centre for research and development, which will encompass an area of approximately 100,000 square metres, will help us to attract research activities towards our country.

Industrial Zones

Over the coming years we shall invest up to a further 20 million euros to upgrade of our country's industrial zones, with the first project due to start in 2009 covering the Ħal Far zone with a value of 6.5 million euros. The Bulebel, Mosta, Xewkija and Kordin industrial zones will be upgraded over a four-year period. We will also see the development of two Micro Enterprises Parks, one in Mellieħa and the other in Xewkija, Gozo.

Much remains to be done in relation to industrial zones. We shall also be examining private sector participation in the running and maintenance of industrial zones.

We also understand that there are those who wish to expand their operations but do not possess the necessary space. Demand for grant of industrial land by Government has increased and it is not always possible to accommodate all expectations since land is limited. It is therefore necessary that we make the best use of industrial zones. Consequently, Malta Enterprise shall devise a scheme during the coming year aimed towards supporting enterprises which, though not falling within the priority areas under Malta Enterprise's policies, still hold potential for job creation.

Support for Enterprises to find New Markets

Valuable work is underway to attract towards our country high value-added investment in the industrial and services

sectors. This year alone, more than 80 delegations from foreign companies visited our country.

Although international demand is expected to decrease during 2009 due to the problems currently afflicting the global economy, markets are huge in proportion to our country's size and it is thus necessary that we support local enterprise to source new markets. In order to complement the scheme for *International competitiveness to establish new markets* for which 2.5 million euros have been allocated, Malta Enterprise shall allocate 500,000 euros to increase trade missions which enable Maltese entrepreneurs to identify new markets.

Support for Private Enterprise

Government believes that in order for private enterprise to remain the main driving force of our economy, it is necessary that we continue doing all that is necessary in order to allow our enterprises to operate without undue hindrance. On the other hand, we require a sound regulatory framework which ensures an equitable market balance for our enterprises and consumers. Our aim is to reduce the regulatory burden by 15 per cent by the end of 2010.

In order to continue improving the framework and environment within which our enterprises operate, Government shall take the following steps:

1. The drafting of the Small Business Act, in order to simplify the regulatory framework for small enterprises while bolstering the entrepreneurial environment in which they operate;

2. The introduction of General Accounting Principles for Small Enterprises, in order to alleviate undue burdens imposed on such enterprises by the International Financial Reporting Standards;
3. Streamlining activities by setting up a one-stop shop for the provision of enterprise-related assistance and services;
4. The setting up of a Research Group for Enterprise aimed towards assisting and supporting the development of Government policies and activities which are beneficial for enterprise;
5. The setting up of a Commission to investigate unnecessary costs which the public sector is imposing on our businesses;
6. The strengthening of our market enforcement structures in order to combat more effectively and efficiently illegal practices which undermine honest enterprises and consequently jobs and consumer rights, while helping honest market operators;
7. The setting up of a division known as Design Malta aimed towards assisting and supporting all initiatives being undertaken, to encourage development and creativity in design in Malta;
8. Examining ways how to strengthen the Cooperative movement in Malta, including in the public sector, via a Commission which shall be set up and required to report to Government by the end of June 2009; and

9. The strengthening of the Fair Competition Department in order to continue ensuring free, balanced and transparent markets for the benefit of our businesses and consumers.

Revision of Penalties and Interest System

Government believes that the time has come to revise the penalties and interest systems related to income tax and VAT. We must ensure that penalties correspond to the seriousness of an offence. In certain cases, we feel that penalties are too harsh.

Consequently, we shall introduce new penalty rates, aimed towards encouraging timely, complete and accurate submissions, as well as timely payments.

We shall also revise the interest rate on late tax payments. Interest is not intended as an additional penalty, and we feel that a punitive rate should not be imposed. From the 1st of January, the rate shall be reduced to 0.75 per cent monthly, that is from 12 per cent to 9 per cent per annum.

The Commissioner's powers to reduce penalties will only be used in genuine cases. Tax evaders are liable not only to administrative penalties, but also to criminal procedures.

We must also ensure that no one is allowed to use funds due to Government to finance their business activities.

Financial Services

The financial services industry remains the hallmark of the success being achieved by our economy. This industry is increasing its contribution towards economic growth and job creation, and this in a highly delicate international situation.

By September, 38 new licences were issued to financial and credit institutions, 134 trusts and 96 authorised trustees, 28 to insurance companies, 647 insurance managers, brokers, agents and intermediaries, 84 fund administrators and investment services, and 387 collective investment schemes.

We have followed closely the developments in the financial world and will continue doing so. In liaison with the Central Bank of Malta and the Malta Financial Services Authority, we have discussed with banks operating in our country. We obtained the necessary assurances that our financial sector was, and still is, on solid ground.

Special attention must also be given to the Malta Stock Exchange, in order to ensure that it assumes a more important role in European markets. For this to happen, we must ensure the possibility of a strategic partnership enabling the Malta Stock Exchange to integrate better with European markets.

Information and Communications Technology

The projects launched by Government to provide internet access and to make available personal computers at low cost, have contributed greatly towards the use of more technology. Through investment in submarine cable links, during the course of next year, more SMEs will be in a position to benefit from this technology to manage their business more efficiently.

Also next year, Government will announce its plans for fibre-to-homes – a modern infrastructure which increases more efficient services in all communication-related matters.

SmartCity

This year, SmartCity Malta was officially launched for the local and international markets. Government is informed that there are a number of prospective clients with whom the company has already started negotiations and this augurs very well during the initial phases of the project.

Personal Identification Documents

Government continued to focus on the development of better and wider structures for the storage and management of personal identification details. This was evidenced by the introduction of electronic passports, with a capital investment of around 12 million euros.

Next year we will introduce electronic identity cards, thereby allowing every Maltese citizen to access and control stored information concerning him or her and persons authorised to use it.

Tourism

In the first nine months of this year, the number of tourists increased by almost 76,000, which amounts to an increase of nearly 7.8 per cent. The number of cruise liner passengers who visited our country during the first nine months also increased by almost 56,000, an increase of 15.2 per cent, reaching a total of more than 426,000. Tourist expenditure is estimated to have reached 855 million euros. This compares favourably to 2007, where the results achieved were already at record level.

In the circumstances which the world is currently experiencing and the impact this can have on our country we cannot rest on our laurels, let alone think that we do not need to intensify our efforts. Tourism is the main pillar of our industry and it is crucial that it remains so.

In order to support this sector, we shall continue investing strongly in advertising our country, while introducing more routes which increase our country's potential to attract a greater number of tourists. Consequently we shall increase the budgetary allocation for the Malta Tourism Authority to 26 million euros, an increase of 1.5 million euros when compared to last year. Furthermore, we shall make a special allocation of 2 million euros for 2009 in view of the more difficult circumstances we are facing which require an

immediate reaction. This implies that we shall be increasing the Tourism Authority's vote by 3.5 million euros.

Government will also be investing substantially in our country's tourism product. In order to upgrade such product, Government has allocated 120 million euros in capital projects for the next four years. This is besides grant schemes for enterprises aimed towards further enhancing and strengthening our tourism product. In the coming months a number of works will commence in various touristic zones and beaches in Malta and Gozo, including the visitor attraction in Qawra, embellishment works in Saint Paul's Bay and Qawra, upgrading of Sliema coast, as well as beaches around Malta and Gozo.

In these past years, Heritage Malta implemented a project for the protection of Mnajdra and Hagar Qim pre-historic temples. In the coming weeks, works on protective covering for these two historical temples will be completed. It is important that we continue safeguarding our historical heritage and improving the quality of these sites so that these can be enjoyed by our people while also enhancing our tourists' experience. Besides these projects, we shall launch three other projects with an investment of 9.5 million euros on other pre-historic temples in Tarxien, Ġgantija and Saint Paul's Catacombs in Rabat.

Malta and Gozo's bastions represent one of the finest collections of military architecture in the entire world. We shall restore the bastions in Valletta, Birgu, Mdina and the

Citadel in Gozo. Comprehensively, these four projects will involve the restoration of around 135,000 square metres of bastion surface area over a length of approximately 6 kilometres of fortifications, with an expenditure of 36 million euros spread over a seven-year period. Important works are currently underway for the consolidation of the foundations and restoration of parts of bastions in Mdina.

As regards the education sector for foreign students, it is worth noting that this is following a growth trend, in line with Government's vision to make Malta a centre of excellence in the educational field. In order to further incentivise our families to host more students, we shall increase the threshold of non-taxable income from such activity to 3,500 euros.

[Contribution for Each Night in Paid Collective and Private Accommodation](#)

Government is investing substantially in the tourism sector. We are paying between 15 and 25 euros for each tourist arriving on low cost airlines, and support schemes for tour operators. It should also be recalled that as from the 1st of November the departure tax on air and sea travel, which was introduced in 1997, was removed, and Government is retaining the VAT rate on accommodation at 5 per cent.

Approximately 1.2 million tourists spend 9.5 million nights in our country, meaning that with a population of 400,000, the number of tourists per year amounts to three times the number of Maltese residents. Government recognises that tourism is a sector which gives a very valuable contribution

to the Maltese economy, but also considers that the number of tourists increases pressure substantially on our infrastructure and services.

Therefore, in order to ensure that Government remains in a position to support this sector, we shall introduce a contribution of fifty cents (€0.50) for each night spent in paid collective or private accommodation. Due to the difficult circumstances we are expecting in 2009, Government will introduce this contribution as from the 1st of January 2010. Government estimates five million euros in revenue from this measure.

Sustainable Localities

We are becoming increasingly aware of the link between development strategies for our country and sustainable development of our localities.

Last year we launched a discussion on the sustainable development of our towns and villages. This year the discussion was broadened and we launched a process conducive to Local Councils reform.

During the coming year we shall take the following initiatives:

1. An increase of four million euros in financial support to Local Councils;
2. An incentives scheme for further investment by small enterprises in our localities. Those who invest a

minimum of 10,000 euros in their business will be granted a two-year income tax credit;

3. We shall launch a one-time special scheme for the restoration of facades of residential buildings constructed prior to 1950, with preference being given to scheduled buildings in our town and village cores. A 30 per cent grant of total restoration costs, with a maximum of 2,500 euros, will be granted. We are allocating the sum of 2 million euros for this scheme, which is expected to cover the restoration of approximately 700 buildings in Malta and Gozo;
4. Two pilot projects for the drawing up of sustainable development strategies at local level. To this end we are voting the sum of 50,000 euros;
5. The Local Council Green Challenge Award, with a vote of 100,000 euros, will be granted to those Local Councils which undertake initiatives for the upgrade of the local environment;
6. The Local Council Enterprise Support Award Scheme, with a vote of 100,000 euros, for those Local Councils which undertake initiatives to assist and incentivise businesses in their locality;
7. In collaboration with the competent authorities, we shall incentivise collective accommodation services in localities; and

8. A scheme whereby voluntary organisations in localities are granted a refund of 15.25 per cent of their expenses, backed up by fiscal receipts.

Harbour Regeneration

Last year we published our Vision for Grand Harbour and Marsamxetto. We have now starting preparing plans for the implementation of this Vision.

We shall therefore commence a number of these projects, including:

- Regeneration of Marsa Inlet, which includes investment in road infrastructure, landscaping and pedestrian zones, thus embellishing the area and attracting private investment;
- A Heritage Park in Upper Barrakka Gardens, including restoration of a number of tunnels and shelters; and
- Maritime Studies on Quays for Cruise Liners, around Quarry Wharf, a Marsamxetto breakwater, a cruise liner quay in Marsamxetto Harbour, a Kalkara yacht marina and a yacht marina on Sa Maison side.

While these studies are underway, Government is preparing a tender for works on the inward quays of Grand Harbour, currently used for cargo unloading. As from next year cruise liners will be able to berth at Boiler Wharf.

Yacht Marinas

During this year, we took the decision to privatise yacht marinas. The Privatisation Unit is preparing a call for expressions of interest, following which a company or companies will be selected with which Government will negotiate. The Msida, Gozo and Ta' Xbiex marinas will be privatised.

We are also proceeding with the process for the identification of new sites where new yacht marinas can be developed. The aim is to create around 1000 new berthing spaces. We are also aiming to create spaces where Maltese and foreign yacht owners can bring their boats to shore for repairs and for winter storage on land.

Yacht Licences

Following last year's integration of sea vessels licences with onboard radio licences, and the removal of the requirement of effecting two annual payments to two different departments, we are now revising the payment of annual registrations for yachts as indicated in table 3.1, which I request the House to take as read.

The new rates shall enter into force on the 1st of January 2009. Government expects revenue of two million euros from this measure.

Table 3.1: Yacht Licences

<i>Yachts</i>	<i>Annual Registration Fee €</i>
Over 3.64 & w/o engine	90
0 to 9.9 hp	120
10 to 25 hp	140
26 to 50 hp	165
51 to 75 hp	185
76 to 150 hp	190
Over 150 hp	200

Agriculture and Fisheries

The agricultural sector continued undergoing the necessary transformation process for it to become stronger and operate sustainably, even on expiry of the funding programme agreed with the European Union prior to accession with a total allocation of 181 million euros.

Under the said programme, 57 million euros have been paid between 2004 up to June of this year, with sectors benefiting from such funds including pig rearing, milk production, poultry, viniculture, processed tomatoes and fruit and vegetable cultivation.

During this year, to date 4.6 million euros were granted in the form of direct aid, while 3.3 million euros were processed under rural development programmes. It is also worth mentioning that more than 6,000 farmers and herdsmen benefited from this aid.

Government will continue helping this sector through funds under the Rural Development Plan 2007-2013, under which 100 million euros are allocated.

The fisheries sector also benefited significantly from European funding, to the amount of 3.6 million euros. Maltese fishermen benefited from restructuring funds for their fleet as well as through an adjustment scheme.

Presently, we are accepting applications from professional fishermen for health and safety equipment on fishing vessels up to a maximum of 81,000 euros. We are also concluding a process for the funding of fish packaging equipment to the amount of 375,000 euros.

We are allocating a further 11.1 million euros to be spent on this sector in the coming five years.

Employment and Training

Mr. Speaker, job creation constitutes one of this Government's biggest successes. This does not mean that all is rosy. Every job lost pains us, and we must therefore find the means to mitigate such consequences while striving to create adequate jobs for everyone.

The Employment and Training Corporation, ETC, has a crucial role in this regard, and provides advice in the employment field, besides offering a range of schemes and training courses conducive to skills upgrading for the unemployed, in order to increase their employability.

Some industries, in particular financial services, are contributing significantly to our economy which is continuing to grow at a fast rate and creating more and better jobs. Other industries, such as tourism and manufacture, have long been providing such contribution but are nowadays evolving their higher-end. They therefore require workers who are skilled in those areas, with managerial capabilities and the entrepreneurial drive required for industry to exploit the global opportunities being created.

We want more persons to benefit from these opportunities, while at the same time we must remain attractive for industry by having a qualified labour force. To this end we shall provide more aid for training and development, with particular incentives to:

- Identify the skills required by industry in the short to medium term;
- Restructure incentive schemes so that these are better adapted to individuals requiring specific skills;
- Improve access to training programmes in order to promote higher quality skills;
- Promote careers in required fields; and

- Incentivising the development of courses and curricula linked to industry requirements

Mr. Speaker, in past budgets, we adopted various measures in order to help our families strike a good balance between their family and work duties. We also adopted a number of other measures in order to assist parents, particularly mothers, to return to the work market. These measures have produced the desired effects. We feel that more can be done. Consequently, as promised in our electoral programme, we shall grant:

- a one-year exemption from income tax, for every child under the age of 16, to every mother who returns to the work market after a five-year absence; and
- a one-year exemption from income tax, for all children born from 2007 onwards, to every mother already in employment or who has not been absent for five years, and who returns to work after childbirth.

These measures should continue helping mothers who wish to strike a balance between their family and working duties.

During the coming year, ETC will continue building on such assistance. Besides the normal services it offers, new programmes will be launched for the benefit of job seekers, persons in employment who wish to upgrade their skills, as well as employers. The Employment Aid Programme is a programme intended to find jobs for disadvantaged persons, while subsidising their wages. It is expected that approximately 1,500 persons will benefit from this

Programme which will cost around 10 million euros over a five-year period.

Also during the coming year, ETC will launch the Training Aid Framework which is primarily financed by EU funds. This programme provides subsidies to companies which provide training for their employees. Such financial aid is increased in the case of small companies. This project will cost approximately 9 million euros up to 2013. 3,500 workers are expected to benefit from training granted under this programme.

Mr. Speaker, following doubts raised by the Opposition during the electoral campaign concerning whether overtime should continue to be paid at one and a half times the regular rate of pay, and following submissions received from some constituted bodies for overtime to be paid at the regular rate of pay, Government feels that it is necessary to declare once and for all that, as promised in the Electoral Programme, the rules concerning payment of overtime shall remain unchanged. I am making this declaration in order to bring to and end, once and for all, attempts from certain quarters to change this system.

Tax Band Revision

In the electoral programme for this legislature we had announced a package of fiscal measures with the principal aim to continue to incentivise business, reward work and industriousness while leaving more money in people's

pockets. In this Budget we announced a number of fiscal measures contained in this package, including:

- Specific incentives to motivate more women to return to the labour market;
- Removal of airport departure tax; and
- Revision of registration tax on vehicles which I shall announce further on.

While international economic circumstances are substantially different from those prevailing at the time when we drew up this programme, the fiscal policy of successive Nationalist Governments during the years has always been to alleviate the tax burden, especially on income, in order to encourage people to work more and thus generate more wealth in the country. At the same time, we have always felt that if the need arises for more public finances, this should be achieved either by changing public spending priorities by reducing expenditure which is no longer justified, such as certain subsidies, or else by increasing revenue through the taxation of consumption items or items which are not environmentally friendly.

Present circumstances demand that Government proceeds cautiously and prudently to ensure that expenditure and revenue, or tax cuts, are reasonable and do not undermine our country's financial sustainability.

Therefore we shall start to implement the first part of our electoral promise regarding income tax reduction by broadening all income tax bands.

It must be stated, Mr Speaker, that the actions Government will take have not been decided capriciously. I have already announced a substantial investment and incentives programme in order to help our economy to continue generating wealth. We however feel that in order to sustain economic growth in our country, we also need to continue incentivising work while encouraging hard working persons.

The income tax cuts I am proposing this evening should leave 12 million euros in the pockets of those who work and are subject to income tax. As shown in table 3.2, over a span of three years, we will have left 152 million euros in families' pockets.

Table 3.2: Cumulative Effect of Income Tax Reductions

	2007	2008	2009	Total
Reduction Budget 2006	28	28	28	84
Reduction Budget 2007	0	28	28	56
Reduction Budget 2008	0	0	12	12
	28	56	68	152

We will broaden the zero rated tax band for single person computation by 350 euros, to increase the total non-taxable income to 8,500 euros. In 2006, before we set this reform in motion, this band extended to 7,221 euros. This revision amounts to tax savings of almost 200 euros. We shall also broaden the 25 per cent and 35 per cent marginal tax bands by a further 500 euros. This means that this year we will be granting tax reductions ranging from 53 to 153 euros for taxpayers with income falling within these bands, and cumulatively, a 2009 tax saving within the range of 143 and

1,050 euros when one takes into account the revisions introduced over the three year period.

We will also broaden the zero rated tax band for joint computations by 500 euros, to increase the total non-taxable income to 11,900 euros. It is worth recalling that in 2006, before we started the reform, this income tax band amounted to 10,016 euros. Therefore, over the span of three years we will have granted tax savings of almost 283 euros to all those affected by the changes in this band.

We shall also broaden the 25 per cent and 35 per cent marginal tax bands by a further 700 euros. This means that this year we will be granting tax savings ranging from 75 to 215 euros for taxpayers whose income falls within these tax bands, and cumulatively, a 2009 tax saving within the range of 207 and 1,576 euros when one takes into account the revisions introduced over the three year period.

The tax bands will be revised as shown in tables 3.3 to 3.6 which I request the House to take as read. These tables also show the impact of the announced changes on single person computations and joint computations, as well as the impact of income tax reductions through the reforms introduced in the last three years.

Table 3.3: Joint Computation

Joint Computation						Table 3.3
Rate %	2006 Income Euro	Rate %	2007 Income Euro	2008 Income Euro	2009 Income Euro	
0	0 - 10,016	0	0 - 10,482	0 - 11,400	0 - 11,900	
15	10,017 - 13,876	15	10,483 - 18,635	11,401 - 20,500	11,901 - 21,200	
20	13,977 - 16,888					
25	16,889 - 19,800	25	19,636 - 23,294	20,501 - 28,000	21,201 - 28,700	
30	19,801 - 23,294					
35	23,295+	35	23,295+	28,001+	28,701+	

Table 3.4: Single Computation

Single Computation						Table 3.4
Rate %	2006 Income Euro	Rate %	2007 Income Euro	2008 Income Euro	2009 Income Euro	
0	0-7,221	0	0 - 7,570	0 - 8,150	0 - 8,500	
15	7,222-9,550	15	7,571 - 12,812	8,152 - 14,000	8,501 - 14,500	
20	9,551-11,647					
25	11,648-13,976	25	12,812 - 15,723	14,001 - 19,000	14,501 - 19,500	
30	13,977-15,723					
35	15,724+	35	15,724+	19,001+	19,501+	

Table 3.5: Single Computation (Impact)

Single Computation (impact)				Table 3.5
Income	Reduction in Income Tax Budget 2007	Reduction in Income Tax Budget 2008	Reduction in Income Tax Budget 2009	Total Euro
	Euro	Euro	Euro	
8,150	52	87	0	139
8,500	52	87	53	192
9,500	52	87	53	192
10,500	99	87	53	239
11,500	149	87	53	289
12,500	242	87	53	382
13,500	274	155	53	482
14,500	300	205	103	608
15,500	350	205	103	658
16,500	361	283	103	747
17,500	361	383	103	847
18,500	361	483	103	947
19,500	361	533	153	1,047
20,500	361	533	153	1,047

Table 3.6: Joint Computation (Impact)

Joint Computation (impact)				Table 3.6
Income	Reduction in Income Tax Budget 2007	Reduction in Income Tax Budget 2008	Reduction in Income Tax Budget 2009	Total Euro
	Euro	Euro	Euro	
11,400	70	138	0	208
12,000	70	138	75	283
13,000	70	138	75	283
14,000	71	138	75	284
15,000	121	138	75	334
16,000	171	138	75	384
17,000	226	138	75	439
18,000	326	138	75	539
19,000	390	174	75	639
20,000	400	274	75	749
21,000	450	324	125	899
22,000	500	324	145	969
23,000	550	324	145	1,019
24,000	565	395	145	1,105
25,000	565	495	145	1,205
26,000	565	595	145	1,305
27,000	565	695	145	1,405
28,000	565	795	145	1,505
29,000	565	795	215	1,575
30,000	565	795	215	1,575

Quality Education for Our Children

Mr. Speaker,

The best investment is the one which always provides a healthy return. Education is such type of investment since it is the tool which provides children, youths and workers with the best skills set; thus they will be able to take up the best opportunities.

Our aim is that by 2015, our country is recognised as a centre of excellence in education, but for this to be achieved it is necessary that we continue investing in education, because that same human resource in which we invest today will give us the highest guarantee of sustainable development. We must continue investing at all educational levels, in infrastructure, in educational tools, teachers and all necessary support our children and youths deserve in order for everyone to truly succeed.

Primary and Secondary Education

During next year we shall continue investing in infrastructure and resources for schools aimed towards further enhancing our children's educational experience. We invested in the setting up of ten colleges. It is now necessary that we strengthen the support systems in order to improve the quality of learning for our children. We are therefore allocating an increase of more than 4.4 million euros in order to proceed with this reform, and in particular, to employ the required professionals in order to grant greater support to schools, teachers, children and their families.

We must ensure that our schools are equipped with the best educational services. The Foundation for Tomorrow's Schools is proceeding with its work consisting in the construction of new schools and extensive maintenance of existing schools.

In the beginning of this scholastic year, students at Saint Margaret's college boys' secondary school started attending the new school in Verdala. Extension works were also completed at the Girls' Junior Lyceum in Mrieħel with the installation of new laboratories, while extensive maintenance works were carried out in various primary schools.

The Foundation for Tomorrow's Schools is expected to invest 13 million euros to finance the programme for 2009, while works will proceed on the new primary school in Pembroke with the aim that this will be open by next scholastic year. Construction works will also proceed at the secondary school in Rabat, Gozo, and the building of a new secondary school in Mosta.

Government is determined to continue working, as it has done in the last three years, by opening a new school each year.

Furthermore, we shall continue to implement the recommendations contained in the Spiteri Report concerning inclusive education for disabled persons. We will grant direct financial aid to private schools so that they will be able to engage the required facilitators to assist children with special needs.

e-Learning Strategy

Our children deserve state-of-the-art information technology for their educational needs. We shall continue to invest in capital expenditure on schools networking in order to provide our children with better educational opportunities through the use of information technology in class. For this purpose we shall invest 16 million euros over a number of years.

Day Centres for Children

We believe that our country needs to invest in more day centres for children. While these centres will help to increase the employment rate of women, Government considers that quality centres provide an opportunity for our children to develop from an early age.

Government is investing in such centres both in schools as well as in other places. During this year we opened three centres in the Gharghur, Raħal Ġdid and Luqa schools. During the coming years the ten Colleges should have at least one centre each. Two of these, in Siggiewi and Pembroke, will open next year.

Further Investment in Advanced and Higher Education

The number of students pursuing studies at MCAST, ITS, Junior College, Higher Secondary and University is increasing from year to year. While in 2000 the rate of 17-year old students attending some education institutions amounted to 37 per cent, today we have reached a rate of around 70 per cent.

Government is determined that by 2015, 85 per cent of youths having attained the age of 16 years continue with their studies.

This year 180 students benefited from scholarships. Under the postgraduate degrees scheme, which has entered its third year, we had 41 students studying at Doctorate level, and 80 students studying at Masters level.

Government will continue offering opportunities to all our students through scholarships. Via the STEPS project, students will be able to benefit from scholarships with an investment of 10 million euros.

Mr. Speaker, we shall continue to invest in University, which on its part has already managed to secure 50 million euros in EU-funded projects. University will now have a new ICT faculty, as well as a science laboratory with state-of-the-art equipment for research and studies. For the coming year, the vote for University is being increased by 4.4 million euros to 36 million euros. We will allocate 1.5 million euros for investment in research and the library.

MCAST is another important link in this chain. We will vote 3.7 million euros for the new campus project. Besides the signing of the collective agreement, which improves teachers' conditions, MCAST will implement three projects of 13.3 million euros whereby lecturers will have the opportunity to upgrade their qualifications. Furthermore, MCAST will implement six other projects worth 5.7 million euros. Through this investment, MCAST will have a multimedia training centre, a language laboratory, and new computer

systems, while the Institute for Mechanical Engineering and the Institute for Electric and Electronic Engineering in Malta and Gozo will be expanded and upgraded.

Government wants Higher and Advanced Education to continue growing while also attracting foreign students to come and specialise in Malta. It is therefore imperative that this sector is regulated, while also ensuring that education at this level is of a high quality and professional standard.

Sports

Through this Budget, Government is continuing to allocate more resources for the sports sector in our country, by increasing investment in sports by 1.6 million euros. Government launched a consultation process with all national sporting organisations to listen to and understand their aspirations. We must step up our efforts to instil a sporting culture amongst our people.

During the course of this year, we invested in more sporting facilities in Kirkop, Hamrun, Qormi and Naxxar schools. These facilities are used during the day by students of the respective schools and in the evening by sporting organisations and associations.

The sporting programmes organised by the Malta Sports Council continued increasing in popularity, and as from this year, we will be launching a pilot project in State Schools aimed towards increasing physical and sporting activity amongst children during and after school hours.

During the coming year:

- We will open a new regional complex in Kirkop;
- Through the Public-Private Partnership model we will launch the process to have a new Sporting Complex in the North of Malta;
- We will use open spaces for more sporting activities and physical exercise;
- We will introduce new assistance schemes for sporting organisations so that:
 - sportsmen/sportswomen of national standard who are in Government employment will be granted Sports Leave; and
 - sporting organisations are incentivised to offer their sporting disciplines for disabled persons;
- We will increase the sporting programmes of the Malta Sports Council in order to reach a wider range of our population, from school children to the elderly; and
- Government wants to incentivise the use of clean means of transport while encouraging physical exercise. For this purpose, Government will grant a 15.25 per cent refund on the final purchase price for bicycles. It is estimated that approximately 6,000 persons will benefit from this measure annually.

Better Environment – Better Quality of Life

Mr. Speaker, this budget will continue placing the environment amongst the highest priorities for our country. A beautiful and clean environment not only gives a better image to our country, but is necessary for our health and for our country's sustainable economic development.

Climate Change

One of the biggest global environmental concerns is the adverse effect which economic development is having on climate change. This Budget seeks to address climate protection and other environmental aspects, which collectively should take sustainable development a step forward.

The whole world has been impacted greatly by the sharp rises in oil prices. We are suffering doubly since we depend entirely on oil combustion for the production of both electricity and water.

Faced with such challenge, we can either act in a short-sighted manner and believe that we can counter this challenge by continuing to subsidise waste permanently, or else invest in energy conservation, alternative energy sources, and more efficient means for energy generation.

We believe that we should not only be able to face this challenge, but also to convert it into an opportunity for sustainable development. The measures I will be announcing

this evening should help so that everyone participates and contributes towards this objective.

The initiatives we will be announcing this evening should help:

- Families, the commercial sector and industry to invest in conservation and generation of alternative energy;
- The State to invest in systems for the generation of alternative energy and more efficient means for energy generation ;
- The introduction of regulations concerning energy efficiency standards in the construction of new buildings; and
- To educate and instil a culture of prudent energy use.

Firstly, it is necessary that we use the energy we produce efficiently and prudently. To this end, Government has drawn up a National Action Plan for Efficient Energy Use, which I am tabling in this House this evening.

Secondly, in order to introduce awareness in favour of energy conservation both on a domestic and commercial level we will introduce regulations on Energy Performance of Buildings, which shall require the production of an energy performance certificate prior to the issue of a development permit.

In order to promote the generation of electricity from clean and renewable sources, we have allocated 33 million euros of

EU funds for schemes which encourage use of technologies which generate clean energy for the domestic and commercial sectors.

Incentives for Families

We want to help families in their efforts to make a better energy use, and to invest in alternative energy sources. To this end, all families will benefit as follows:

1. We will be implementing another electoral promise during 2009 by distributing security vouchers to each and every family which will allow them to benefit from free energy saving lamps from the store of their choice. This measure should help to nurture awareness in favour of efficient energy use. Government will be implementing this measure in full collaboration with GRTU and the Electrical Importers Association. This initiative will cost four million euros.

On the other hand, during the course of 2007 more than four million incandescent and fluorescent bulbs and tubes were imported despite the fact that energy saving bulbs and tubes are available on the market. In order to discourage the purchase of such bulbs and tubes while encouraging the sale of energy saving bulbs and neon tubes, which help to reduce electricity wastage, we are introducing an eco-contribution of 25c on each bulb and 50c on each tube with immediate effect. It is estimated that Government will collect 600,000 euros from this measure;

2. We shall allocate two million euros in order to improve the incentive for the purchase of solar water heaters. Each and every family will be refunded two thirds of expenses related to the purchase of such equipment, up to a maximum of 460 euros. An estimated 4,500 families are expected to benefit from this scheme;
3. We shall allocate 500,000 euros for a scheme which funds 50 per cent of investments in photovoltaic cells systems up to a maximum of 3,000 euros. Up to 200 families are expected to benefit from this scheme;
4. We shall allocate 300,000 euros for a scheme which provides aid for roof insulation and the installation of double glazing in houses. Aid amounting to 33 per cent will be granted up to a maximum of 300 euros. It is estimated that around 1,000 families will benefit from this scheme;
5. Enemalta Corporation will establish a service whereby families will be provided with personalised advice on how they can cut down on energy wastage and restrain consumption;
6. We are allocating the sum of 200,000 euros in order to bolster the awareness campaign concerning efficient energy use;
7. All domestic appliances must be marked with full information concerning the energy efficiency of such appliance;

8. We shall introduce clear and transparent standards concerning efficient energy use in buildings and domestic appliances; and
9. We will start demanding energy management plans to be drawn up for large projects.

I must clarify that the aid schemes, to be implemented by the Malta Resources Authority, will be closed when the allocated funds are exhausted, and applications will be received on a first come first serve basis.

Incentives for Industry

Industry has a significant role to play in this field.

Malta Enterprise will assist local companies to identify technologies in the environmental and energy domains which can be of help to them. We also launched a scheme which assists industry in investments to enhance efficient energy use, as well as in renewable energy sources. To day, 11 companies have received assistance with an investment of more than 500,000 euros.

Enterprises which are willing to invest in renewable energy generation and in more efficient energy use, will be granted aid up to 60 per cent of the approved expenditure. To this end, we are voting 10 million euros, which shall benefit approximately 1,600 enterprises. It should be recalled that companies which invest in photovoltaic panels for energy generation are already eligible for an investment tax credit of 243 per cent of the expenditure incurred on the relative investment. This benefit can also be obtained on the part not

financed by the scheme. The principle of net metering which is currently applied in the domestic sector will also apply to industries which install such systems.

Another important scheme is the Business Advisory Scheme, which is financing part of the expenses of companies which seek expert advice on a number of matters which include energy and water consumption and waste management.

We shall also grant incentives to enterprises to carry out audits for their systems and energy use with aid which amounts to 40 per cent up to a maximum of 300 euros on such audits for small enterprises and up to 1,000 euros for large enterprises. We aim that during the course of next year, 1,000 enterprises will undertake such audits.

Government departments and entities must pull their weight, and consequently during the course of next year every department and other public sector entities will invest in energy performance audits for their systems and buildings. The costs of such audits will be charged to recurrent allocations. We believe that the public sector must set the right example and help to address tangibly the energy challenges facing our country.

National Investment

Wind energy has an important potential to offer in addressing the climate change challenge. We must follow successes achieved by other EU countries in this sector. We understand that our country suffers from huge disadvantages when compares with other countries which possess large

stretches of land and sea which can easily be exploited for alternative energy production.

Government will be launching a project for the construction of an offshore wind farm on a site known as the White Reef (Sikka l-Bajda), following completion of the necessary evaluations.

It is estimated that the White Reef wind farm will provide sufficient energy to supply approximately 21,000 households. This is equivalent to 80 per cent of all electricity consumed in Gozo and 4 per cent of the total consumption in the Maltese islands. The project will save 80,000 tonnes of carbon dioxide emissions annually. The wind farm shall involve private investment of approximately 130 million euros.

Government is also exploring the possibility of a project consisting of smaller land-based wind turbines in less inhabited areas.

Fund for Alternative Energy Generation

In order to be able to carry out the investment and incentives being proposed in this Budget promoting renewable energy, we shall be setting up a fund to be financed with immediate effect by an increase in excise duty amounting to 3.5c per litre of petrol and 2.0c per litre of diesel.

Conventional Energy Generation

Despite all efforts to generate as much alternative energy as possible, it still remains necessary to invest in the generation of energy from other sources.

If by 2010 we do not invest in another power generation plant in Delimara, we will not be able to produce enough electricity to keep up with the country's needs. This is also important since it will lead to the stage where we can close down the Marsa power station, which is inefficient and polluting.

As already announced, we shall also be investing substantially to connect our country with the European grid. This will provide greater security for our country's power generation systems, will allow investment in the *wind farm*, while also providing an opportunity in the future to purchase cheaper energy once the European energy market is integrated.

Addressing the Emissions Challenge

CO₂ emissions are causing substantial climate change. There exist a wide range of activities, including transport, which are contributing towards this phenomenon and are causing adverse health effects.

In our country, the transport sector is emitting the largest portion of emissions and other hazardous gases in the atmosphere. We have one of the highest traffic congestion rates in the European Union. With an increase of more than 10,000 vehicles on our roads by the end of September this year, the emissions problem is getting worse. Furthermore, the average age of the vehicles fleet in our country is 15 years, while that of the EU is 8 years.

This has a big impact on pollution levels, congestion, parking space, the environment and health.

Public Transport Reform

The limitations we have in the public transport domain are a significant part of the emissions problem. We have outdated systems of unacceptable quality for this day and age. We are striving towards a radical reform of public transport in Malta through a reform programme consisting in the following main elements:

1. Contracted public transport which by 2010 must have a totally replaced fleet consisting of buses of different sizes and with new routes;
2. Investment in public awareness campaigns in order to promote use of public transport instead of private cars;
3. Investment in the quality and accessibility of bus termini and bus stops;
4. Regulatory reform which will provide Government and its agencies with the means, which currently they do not possess, to enforce the law and contractual conditions related to service; and
5. Liberalised markets for transport by taxis, coaches and mini buses in order to provide a wider service with improved quality and pricing.

In the meantime, a feasibility study concerning tram transport in Malta is currently underway. During the course of next year we will be publishing the results.

The reform should be conducive towards a public transport system which is more efficient, environmentally friendly and user friendly.

Emissions-based Registration and Licensing System for Motor Vehicles

As promised in the electoral programme, Government will reform, in a responsible manner, the taxation system for motor vehicle registration in order to promote sustainable development.

The new system will favour those who choose to buy smaller vehicles, with low emission levels and using cleaner technology.

Such reform is based on the polluter pays principle, while taking into account road congestion. The main factors underlying the new registration tax are the amount of CO₂ emissions, the amount of particulate matter, the age and the value of the vehicle. VAT will no longer be levied on registration tax.

The registration and licensing system reform will be addressed in two phases.

The first part will come into effect as from the coming 1st of January, and will include the category for private vehicles for transportation of passengers, known as M1, including self-drive, leased, and garage-hire cars, as well as motor-cycles. Commercial vehicles will be address in the second phase of the reform.

The price for second-hand vehicles, and which enter the Maltese market for the first time, will be determined in accordance with local market conditions. We have devised an equitable and transparent mechanism to reflect local market value, which in turn reflects the tax value of such vehicles on first entry in the local market. This system will be available online thereby allowing consumers to check the amount of tax due on particular vehicles. A Board of Appeal will be set up to hear and decide contestations concerning the assessment of registration tax.

The new registration tax rates for motor vehicles are being presented in Appendix B.

Table 5.1 shows the tax decreases or increases for each category, from which it results that taxes will decrease by around 44 per cent for the least polluting vehicles and by 28 per cent for medium-sized vehicles, while bigger and more polluting vehicles will pay more tax than currently paid.

The incidence of asthma and other respiratory diseases amongst our children is among the highest in Europe. Emissions from diesel engines increase the risk of pulmonary complications. Although there have been advances in technology, it is only once the Euro 5 standard enters into force that particulate matter emissions will be limited to 5.0mg/km, which is the acceptable level. Loading will be imposed on those vehicles which do not attain these objectives, both with regard to registration as well as the annual licence.

A minimum tax will remain in place for vehicles manufactured more than five years prior to their registration in Malta, and which do not originate from the European Union or European Economic Area countries, as shown in tables 5.2.

Concerning annual licenses, as shown in tables 5.3 to 5.7, the rate shall be higher than that for motor vehicles purchased under the previous system and will be linked to the respective emissions category. This will remain fixed for the first five years, during which period a vehicle would be in its prime condition. Subsequently, it will gradually increase from the sixth year onwards.

For motor vehicles purchased from the 1st of January 2008 up till the end of this year, an option will be given to switch to the new system. Any refund due on surplus registration tax paid will be credited against licence payments. Such refund is attached to a particular vehicle and is not transferable to other vehicles.

Licences for vehicles already present in the local market will change as reflected in tables 5.8 and 5.9. It is important to clarify that as from the seventh year, the licence starts increasing marginally in order to encourage the replacement of old vehicles.

Through these adjustments we shall also take measures to ensure that when vehicles are scrapped, scrap material is recycled and treated in a sustainable manner. It is necessary that we have such facility in our country in order to safeguard the environment. Expenditure related to this

process amounts to almost one million euros. For this purpose, the revised licence fees will contain a portion which will contribute towards the expense of such operation related to the vehicle's end of life.

Persons working abroad for more than two years will be able to import their vehicle without paying registration tax, provided that the vehicle is registered in their name for 24 months.

We shall also increase licence fees for commercial vehicles. Consequently, the current licence fee of €93.17 will be increased to €185. Buses, coaches, mini-buses, road tractor units and agricultural machinery will be exempt from such increase.

In order to continue addressing the traffic congestion problem, while also contributing further to alleviate emission related problems, we shall incentivise the purchase of motor cycles with low and medium engine capacity by revising the registration system for these types of vehicles. We have adopted the same principle used for cars, and consequently this revision will benefit smaller and more environmentally friendly motor cycles, in accordance with table 5.10.

Roads

Our commitment towards new, better and higher quality roads was manifest during the last legislature. Preparatory works are currently underway for a wide-reaching programme, worth more than 100 million euros, for works on arterial roads in Malta and Gozo.

In September works commenced on 37 residential roads in 10 localities around Malta with an investment of 1.3 million euros. These projects cover more than 4,000 metres in length of new roads. Government shall introduce quality testing by an independent laboratory, before proceeding to effect final payment to contractors in order to ensure that the required quality has been attained.

Works will also commence on the Marsaskala bypass. By 2012, projects which should be concluded include Valletta Road in Żurrieq, Council of Europe Road and Garibaldi Road in Luqa, a substantial part of the Coast Road in Baħar iċ-Ċagħaq, an underpass from 13th December Road leading to the Valletta Waterfront, a Road from Mellieħa Bay hill to Ċirkewwa, and the completion of Mġarr Road from the heliport to Rabat, Gozo.

We are currently assessing a bottom-up change in the way road construction and maintenance are financed. We are studying private partnership models whereby contractors would not only be tasked to build or resurface roads, but will also be responsible to maintain them in good condition, including road markings and traffic signs. During the course of next year, we shall be announcing the conclusions reached by the evaluation which is currently underway. In the meantime, Government is voting the sum of 29 million euros in order to pursue the arterial and residential roads programme.

Waste Management

The closure of the Magħtab and Qortin dumps was of fundamental importance. A large amount of work has also been carried out with regard to waste management. This year we built more sites, known as Civic Amenity sites, in Luqa and Gozo which receive recyclable bulk waste. We have also created 300 bring-in sites around Malta and Gozo.

We have also launched the “Recycle on Tuesday” scheme which has been received very favourably by the public. We are also administering the engineered landfill in Għallis, which will last longer the less waste it receives. For this purpose, efforts are also being made so that Refuse Derived Fuel, which includes all types of waste such as paper, cardboard and plastic, is separated from other waste received by the landfill and used to generate electrical energy.

This however is not sufficient. We must reduce the amount of waste currently received by the engineered landfill by developing new facilities which dovetail with the modernisation of the Sant’Antnin plant. The aim remains, apart from treating waste, to recover all energy possible from waste material.

We have also continued with works on the disused dump in Marsaskala where, although this was closed down 30 years ago, gasses are still being discharged. Special wells were also constructed to contain such gasses. This same site is currently in the process of being converted into a family park.

By the end of this year, the gas treatment plant installation project will be completed. This project cost 8.4 million euros.

Another important service is the Thermal Treatment Facility, which from December onwards started providing an essential incineration service for our country. To date, waste amounting to a total of 3,000 tonnes has already been incinerated.

Wastewater Purification

Government continued pursuing various projects aimed towards wastewater purification prior to discharge at sea. As from September this year, the Mellieħa wastewater purification plant entered into service, with the result that 20 per cent of wastewater in Malta is purified prior to discharge at sea.

Government is also working on another wastewater purification plant in Ta' Barkat, limits of Xgħajra, with an investment of approximately 58 million euros. Consequently, all wastewater in our country will be purified prior to discharge at sea.

Amendments to the Eco-Contribution Act

Government shall continue taking all such measures which are necessary in order to safeguard the environment while also implementing a policy based on the polluter pays principle.

Plastic Bags

Everyone is aware of the environmental damage caused by plastic bags. Some time ago, we introduced an eco-contribution on plastic bags in order to discourage their use.

Despite all efforts, the use of such bags remains widespread, to the extent that we are consuming approximately 40 million plastic bags annually.

Consequently, it is necessary that we deliver a clear message about the necessity that such bags are eliminated from the market. A 15-cent eco-contribution will be introduced on each plastic bag distributed by shops. It shall become mandatory that every shop giving out plastic bags includes such amount in the fiscal receipt.

Mr. Speaker, Government is not after the 15 cents. What Government is seeking is to eradicate the use of plastic bags which are causing huge damage to our health when these become waste materials.

Printed Materials

Printed materials which are distributed on a mass scale are also leading to a huge amount of waste. Consequently, an eco-contribution of 1c will be introduced for every 80g of magazines and leaflets, which are distributed for commercial purposes in newspapers, door to door or otherwise distributed for free when more than half their content consists in adverts or promotional messages.

Our Environment

We shall be launching a Carbon Offsetting initiative for the whole public sector aimed towards incentivising sustainability in public sector operations while also introducing greater environmental awareness. These schemes

can be linked to other environmental schemes, such as 34U, in order to compensate for environmental damage. At the same time, initiatives will be undertaken to create a Carbon Offsetting scheme on a national basis in order to provide everyone with the opportunity to contribute tangibly towards the development and safeguarding of a sustainable environment in our country.

It is also worth mentioning works which are being carried out in order to continue embellishing our country. In this connection, one can mention the Salini Park, the National Park in Ta' Qali and the planting of approximately 50,000 trees in the past two years under the 34U scheme. The main sites where a large amount of trees have been planted are located in Ta' Qali, Mellieħa, Salini, and Xrobb l-Għagin. We are also looking at other sites, such as Delimara, in order to continue extending this project.

As regards public land, this should be used in the country's best interests. This can be achieved in two ways: by allowing such land to be enjoyed by everyone and preventing it from being taken over abusively by a few individuals, or if such land is of economic value, by ensuring that such value is maximised in the national interest. To this end, we have launched a reform within the Lands Division in order to have electronic systems in place with assist in the control and good administration of public land.

[Licences for Private and Commercial Pools](#)

In Malta we have more than 2,000 licensed pools, with a capacity of around 137,000 cubic metres. Such pools increase

the demand for fresh water and electricity. As from the 1st of January, licences for domestic and commercial pools are being revised as detailed in Table 5.10 below.

Table 5.10: Licences for Private and Commercial Pools

	2008 €	2009 €
Administrative Fee	34.94	50.00
Private Pools		
Fresh water	2.33	4.00
Sea water	58.23	100.00
Commercial Pools		
Fresh water	3.49	6.00
Sea water	349.41	600.00

High Quality Social Services

Mr. Speaker,

This budget incentivises our economy by investing in the required capital, in programmes and incentives for our enterprises, in training for our workers, and in our children's education. Government believes and is determined that such investment should reach everyone, with particular emphasis on families raising children, the elderly, pensioners and those in need.

Last year we announced a substantial investment in families raising children since these families bear responsibility for tomorrow's generations. We reformed Children's Allowances and substantially increased the allowance for fostering and disabled children. We also increased maternity leave from 13 to 14 weeks. We also removed the income capping from work so that pensioners do not forfeit their pension if they continue working prior to attaining the age of 65.

This heavy investment in the social sector, which for 2009 will reach the figure of one billion and one hundred and fifty three million euros, shall continue to be sustained in this Budget. Government is determined that the social sector remains at the top of its agenda in order to continue helping those who are most in need. On the other hand, Government will continue fighting all types of abuse.

Energy Benefit

Mr. Speaker,

Government believes that everyone should have access to energy and water. We are ensuring this through an investment which guarantees electricity and water supply, as well as through the Energy Benefit for around 30,000 families. On the basis of the experience gained in the last two years, the Energy Benefit calculation mechanism shall be optimised in order to help in the best way possible those families in need of such benefit.

Up to this year, thanks to this benefit, such families were receiving a voucher which allows them to obtain a percentage reduction from their electricity and water consumption bills. These vouchers will continue to be distributed during the course of next year. However, a maximum amount of 75 euros will be granted on consumption for each entitled person. Such grant is being given over and above the payment of the service charge for electricity and water. This is being done so that, while continuing to help such families, an incentive is given even in this case to avoid unnecessary consumption.

Persons Registering as Unemployed

Government believes that work is a means by which everyone can contribute towards the development of our country and towards personal development. Our aim remains that whoever really wishes to work should have every opportunity to receive training and find a job.

The Maltese society also shows solidarity towards those who lose their job by granting unemployment benefits. During the extensive discussions we had leading to the preparation of the Budget, it clearly emerged that Maltese people expect that whoever is receiving unemployment benefits should repay society through work what has been received in benefits.

As from next year we will start implementing new schemes so that gradually those persons who have been registering as unemployed for more than two years and who are not following training courses while receiving benefits, will carry out community work or help in public works. The idea is that they should work for 30 hours weekly while their social benefits are increased to 75% of the National Minimum Wage. This important measure renders justice to society which pays taxes in order to subsidise unemployment benefits. We also believe that this scheme should make it more difficult for those persons who are registering as unemployed and receiving unemployment benefits, while at the same time carrying out unregistered work.

Pensions: A Solid Basis for the Future

After we announced in last year's budget that all pensioners were going to receive the full cost of living adjustment, instead of two thirds as used to happen in past years, Government has decided to grant this measure also for next year.

This year we have also launched a process to address the anomaly of services pensions, where the first 466 euros from every service pension were not taken into account for re-

assessment purposes for pensioners in receipt of a service pension. Around 4,350 pensioners benefited from this measure. For this year, we are decreasing a further 200 euros, at an expense of 1.1 million euros. This measure will benefit 5,900 pensioners.

Disabled Persons

During 2008, Government and the National Commission for Disabled Persons continued working relentlessly, primarily by implementing the Equal Opportunities Act.

The Commission obtained EU funds to build a centre aimed towards offering advice and training to disabled persons on equipment which they require to lead a more independent life, including driving skills.

Furthermore, NCDP provides financial assistance to disabled persons in order to enable them to buy equipment they require due to their disability and which allows them to live an independent life.

Government is acceding to a request made by parents of disabled children to exempt completely from succession tax disabled persons who inherit their ordinary residence when living with their parents or guardians, who transfer such residence to them *causa mortis*.

It is also important to recall the measure already announced whereby Government will start financing facilitator costs for children with special needs attending private schools.

Social Housing

Between October 2007 and September of this year, the Housing Authority invested 3.2 million euros on various schemes administered by the Authority, and continued with the development programme of residential projects. During this year 215 units have been completed, and work is in progress on 280 more units. In the coming weeks, 150 units will be offered for sale at subsidised prices in various localities in Malta and Gozo.

The Authority shall launch a means tested scheme whereby it will pay up to a maximum of 30% of the monthly loan repayments for a period of ten years to those couples who buy their first residence. This involves a maximum investment of 1.7 million euros. The allocated amount will be based on the number of family members, income and family assets.

Another project consists in the renovation and embellishment of a residential block in Cottonera. This is part of the urban development plan for Grand Harbour.

Social Welfare

During the course of this year, Government, through Aġenzija Appoġġ, worked to consolidate the services which are being provided. Aġenzija Sedqa, in collaboration with Aġenzija Appoġġ, started offering the Budz programme to various youths who are considered to be in danger.

Sedqa provided its services to around 350 new clients – and in many cases to their families as well. Sedqa prepared new

programmes at primary and post-secondary school levels, as well as new parental skills programmes.

Aġenzija Sapport is offering a new service to 25 disabled persons who have completed the compulsory levels of special schools.

This agency also launched a new residential service at Dar Andrew in Cospicua for 6 disabled persons which will soon host the first residents. Personalised community-based services have also been extended from 14 to 95 disabled persons.

Government is committed to continue providing financial support to agencies working in this field, with the investment for 2009 amounting to 11 million euros.

The Elderly

Government appreciates the important role and contribution which the elderly give to our society. A number of measures which I have already mentioned, in particular those relating to the full payment of the cost of living adjustment and the right to continue working without forfeiting their pension, are intended to pay such due respect.

A major promise which we fulfilled this year was the opening of Dar il-Madonna tal-Mellieħa which accommodates around 130 residents.

Also for the first time in Malta, we have started training on dementia for 130 persons. At Saint Vincent de Paul, we have started a course for 53 carers. This course was tailor-made to

ensure that we have a sufficient number of carers to support nurses.

In 2009, Government will launch the first night shelter project for the elderly in the south of Malta. 100,000 euros are being allocated for this project.

The halls project at Saint Vincent residence in the John Paul II block is in its final phase. Work is proceeding at a good pace and should be completed by the beginning of next year. This project will be furnished and equipped to receive 144 residents and will have all the necessary facilities. For the first time there will be two halls specifically built and furnished for persons suffering from dementia.

Maintenance at Karen Grech Hospital

Mr Speaker, for 2009 Government is allocating three million euros for maintenance works at Karen Grech Hospital as well as the upgrading of certain essential services so that this hospital will serve as a rehabilitation hospital until another facility is built. In this way, this hospital will house in one place all those rehabilitation services which to date were scattered between Zammit Clapp and St Luke's hospitals. The extension of two more halls at St. Jeanne Antide complex in Attard, which will accommodate 64 new residents, will be completed by the beginning of next year.

Mental Health

Next year, we shall continue to extend community services from Mount Carmel Hospital. The principal aim of these services is to provide patients with the assistance that they

require to continuing living within the community. Our ultimate aim is that more people with mental health problems will continue living within the community. A number of male residents who were accommodated at Mount Carmel Hospital for a long number of years, are now living in community based hostels. Following discussions with Richmond Foundation and Mount Carmel Hospital, we are in the process of identifying more sites which can be used as hostels for women.

Health Sector

Mr. Speaker, the Health sector remains a priority for this Government. The main objectives are:

1. To keep the services and care we provide updated according to the most advanced developments in this field;
2. That our country organizes the huge resources spent in this area so that the Maltese people get the best value for money for what is spent on such services from taxes collected.

Everything has a cost. In our country, health services are provided for free since they are covered by taxes. Our country will not be in a position to provide new services or medicines if the necessary funds are not available. The Health sector expenditure will increase by 39 million euros to 284 million euros during the course of next year. Therefore our country should exercise great care to ensure that every euro spent on health services will be spent well, efficiently and without any waste or abuse. Only in this way can we ensure the sustainability of public health services.

Therefore, Government has allocated the sum of half a million euros for the engagement of a number of Cost Controllers and professionals to address the use of available resources, and in order to introduce better controls which will allow us to continue extending health services without imposing new burdens on the Maltese people.

In each successive legislature, we have invested so that our country can offer the best quality service to its patients. For Mater Dei to remain state-of-the-art, we need to continue investing in it. A practical example is that of the PET scanning service which provides improved cancer treatment. Currently patients have to go abroad for this type of scan. A request has been made for the PET scan, which costs five million euros, to be financed by the Swiss Government.

A new Specialised Oncology Centre will also be constructed, at a cost of approximately 24 million euros, with four million euros being allocated for this year.

[Revision of Excise Duty on Alcoholic Drinks](#)

Government is committed to continue fighting alcohol abuse. We have appropriate laws in this area, and we are going to insist and ensure that these laws are enforced firmly and regularly. Unfortunately however, in this area there has been an increase in smuggling and in the importation of alcoholic drinks without the payment of excise duty. This has happened since Malta's excise duty rate is much higher than that in neighbouring countries and this is encouraging the black market and fiscal evasion. Therefore, it has been

decided that with immediate effect the rates of excise duty on alcoholic drinks be adjusted as shown in table 6.1, such that:

1. We remove the incentive for the illegal importation of alcohol; and
2. We protect our enterprises from abusive market practices and safeguard their employees.

On the same line, in those areas where the excise duty rates are low when compared with those in other countries, we are increasing the excise duty rates with immediate effect. We are going to increase excise duty on alcopops and other similar drinks targeted towards youths.

The adjustment in rates will take effect as follows:

1. With immediate effect in the case of excise duty rates on alcopops and intermediate products; and
2. As from the beginning of January 2009, in the case of excise duty rates on spirits.

We are taking this measure in the best interests of our society. Our intentions will remain to decrease the excessive consumption of alcohol. We are also adopting two very important measures. First, we are taking measures to increase the legal age for consumption of alcohol from 16 to 17 years. Secondly, we shall be studying closely how law enforcement in this area can be improved substantially. This shall be carried out by consulting all parties concerned. We are therefore also voting the sum of 100,000 euros so as to facilitate this process. Moreover, we shall step up our

resources and efforts to educate our people and especially youths about the damage caused by excessive consumption.

Table 6.1: Excise Duty on Alcoholic Drinks

Description of excise goods	2008	2009
Ethyl alcohol - spirits	€0.23c per % vol. per litre	€0.11c per % vol. per litre
Intermediate products (vermouth etc) <i>(exceeding 1.2% volume but not exceeding 22% vol)</i>	€46.59 per hectolitre	€150.00 per hectolitre
Spirit based flavoured beverages of an alcoholic content over 1.2% but not exceeding 7% k/a alco pops <i>(exceeding 1.2% volume but not exceeding 22% vol)</i>	€0.23c per % vol. per litre	€0.40c per % vol. per litre

Increase in Excise Duty on Tobacco and Cigarettes

We were one of the first countries in the European Union which legislated against smoking in public places. It is clear that this was a wise step.

Also this year, Government considered the need to adjust further excise duty on tobacco products including cigarettes and cigars. Hence, with immediate effect, excise duty rates on tobacco and cigarettes shall be increased by 20 cents.

Primary Care

After completing the construction of a top-notch hospital equipped with the necessary human and medical resources, we are now focusing our attention on primary health care which also plays an important role in our society.

For this purpose, we have set-up a taskforce to evaluate and study the process for the creation of a patient registration system with the involvement of family doctors in every town and village. We want to consolidate what already exists in this area, and not multiply what we already have. We are convinced that with good will we will provide appropriate solutions for our families.

In the framework of primary health services offered from Health Centres and Clinics scattered around our country, it was necessary to set up a Commcare, a coordination centre for care within the community. At the same time, internally we tightened control on services and care offered to patients within the community.

Government wants to put services on a solid and integrated platform, while providing patients with a network of care services. This also relieves undue pressure on Mater Dei Hospital in such way that it can start to fulfil its proper function as an acute care hospital. Good community based care also frees up more beds in hospital.

Breast Screening

Government has finalised an action plan to set up a breast screening programme for Maltese and Gozitan women according to the Quality Assurance criteria as established by the European Union. It is expected that during the first three years the service will be offered to women between 50 and 59 years of age, but it is not excluded that the Programme will be extended to a wider age range.

In the meantime, a Cancer National Plan is being finalised. This plan is tackling the cancer problem in a holistic manner and caters for a wide process: from prevention to diagnosis, as well as all treatment aspects involved.

Patients' rights

We want to revise the medicine formulary list aimed towards having new and more updated lists of people's requirements. At the same time, we intend to implement the restructuring required to improve efficiency in public procurement of medicines and materials, as well as their distribution.

It is in this context that Government is investing 1.4 million euros annually to start the free distribution of Herceptine to those women who can benefit from this treatment for breast cancer. Besides Herceptine, Government is setting up a transparent system to introduce and distribute innovative medicines for free, which are proven to be effective. This measure will also be of particular benefit to cancer patients.

Blood Bank

The National Centre for Blood Transfusion shall comply with the highest European standards. We have already issued a call for tenders to start upgrading works with a cost of around 2.5 million euros.

In the meantime, we are working to implement a financial and operational system so that this institution will be autonomous. This should lead to the national centre being run on clear accountability guidelines through which all health sector operators realise how invaluable blood and derivative products are.

Gozo

Mr Speaker,

In the context of Vision 2015, the focus on Gozo – with its particular needs – remains a determining factor. Gozo, together with the rest of the country, is continuing to progress at a fast pace in terms of its development and quality of life.

This progress is the result of infrastructural development as well as substantial social investments. This year, expenditure on capital projects has exceeded six million euros.

Government understands that the Gozitan reality is not an extension of the Maltese one. There are sectors which for various reasons call for special attention perhaps more than in Malta. We continue to insist that we need to make greater efforts in the employment sector in the island of Gozo, in order to increase opportunities for youths and all other persons. Next year, Malta Enterprise and the Ministry for Gozo will prepare a joint action plan for the promotion of Gozo for investment and job creation. Regarding Tourism, we will continue to explore what actions can be taken so that the island will continue to register progress, particularly in the shoulder months between autumn and spring.

Government has made an important and ambitious pledge to Gozo: to make Gozo an ecological island by 2015 – a model for sustainable development.

Last July we launched a public consultation programme to ensure that the implementation strategy for the eco-Gozo vision is truly based on everyone's aspirations and vision. Public response was very encouraging.

The first project to be launched by Government within the context of the ecological island is a basic one for this concept: the radical transformation of the public transport sector in Gozo so as to provide a realistic and viable alternative to the use of private cars: a convenient, efficient and useful service centred on client requirements. We want a service which satisfies the requirement of Gozo residents, who currently have to put up with a very poor public transport service, and which will provide tourists with a service which allows them to enjoy the beauty of this island in the most convenient manner and the widest accessibility, while also including vehicles which cause the lowest levels of pollution possible.

The environmental initiatives in Gozo, particularly those relating to the concept of an ecological island, will include educational campaigns, measures for the protection of natural resources, the introduction of practices and technologies that decrease electricity consumption in public property, and the management of sites of natural value.

This year we have completed a number of projects and embarked on various initiatives aimed towards Gozo's further progress.

In the education sector, we completed the first phase of the construction of Ninu Cremona Lyceum Complex, and launched the second phase of works connected with this

project. We continued the construction of the new Adult Training Centre Complex in Victoria, and completed the construction of the Training Hotel in Qala to train workers in the Tourism industry. We completed the passengers terminal building at Mgarr harbour. Works have been carried out on a number of roads in different localities, and necessary permits have been issued for berthing facilities for cruise liners at Xlendi.

Mr Speaker, we believe that economic activity in Gozo should grow in a sustainable manner, and that this island should have further scope for improvement in the tourism sector. We will continue to strengthen agricultural services, including the promotion of organic farming, and the fishing sector. We will ensure that the best services are provided in the sectors of health, education as well as infrastructure.

We will rebuild part of Xlendi road and the road which leads to Tá Pinu Sanctuary, while continuing works on the road leading from Mgarr to Victoria. At the Gozo General Hospital we will set-up a new Radiology section, and we will restructure the second operating hall with new and modern equipment. Villa Rundle gardens will be rehabilitated.

Eco-Gozo is not a superficial slogan. It is a mine of potential which should help to integrate everyone's efforts in order to continue improving the economic, social, environmental and cultural situation of the island.

Conclusion

Mr Speaker,

The budget is a fundamental tool which steers the country in a strategic direction. The strategic direction we have chosen is that of sustainable development. We are therefore investing in our people. In education. In training. In a cleaner environment.

In order to come up with this Budget, we had a good look around us. Indeed, we observed the international financial crisis, and observed negative developments which countries around us are forecasting in terms of economic growth and loss of jobs. Whether we like it or not, these are realities which will have an impact on our country. This applies to tourism, exports as well as investment. We would be deceiving ourselves if we think that events unfolding around the world will have no impact on us.

Mr. Speaker, we also looked at what we have. Our main resource is our people. The Maltese worker is flexible, talented, creative and productive. We also have other advantages thanks to wise decisions which we have taken. Suffice to mention European Union membership and the euro, which were two responsible decisions which are allowing us to face challenges, and are giving us the necessary means to achieve what we are presenting this evening.

But most importantly, we looked at where we want to take our country. Vision 2015. A vision for sustainable

development which guarantees a high standard of living which each and every member of our society deserves.

Indeed, although we find ourselves in such difficult times, we are still looking forward with great confidence. We have identified those tools which our country requires in order to truly reach its objective to become a centre of excellence in the domains of education, health, financial services, value-added manufacture, information technology, and tourism. And against this background we made our decisions with responsibility.

For this to be possible:

- today we are investing 322 million euros in capital projects because we want a country with a stronger infrastructure;
- today we are investing 112 million euros because we want a country with a cleaner environment, which is better for our health and which looks more beautiful, both for us as well as for our visitors;
- today we are investing 30 million euros in order to incentivise more efficient energy use and investment in energy from alternative sources;
- today we are investing 64 million euros because we want to continue incentivising our industry to continue growing and expanding;

- today we are investing 362 million euros because we want a country which offers people with the highest standard of education and training; and
- today we are placing 98 million euros in our families' pockets in order to continue bestowing them with courage while enhancing their standard of living.

Mr. Speaker, through this Budget we want to deliver a clear message and a strong direction for our country.

A message of confidence. Yes, despite the turbulences and difficulties surrounding us. We would be irresponsible to ignore such phenomena. However Government will remain a pillar of strength for our families and industry in order to incentivise them and to continue, together, to make a success story out of our country.

Mr. Speaker, I present this House with this Budget, with conviction that it will serve as a solid base for our country to continue consolidating what has been achieved.

We are making responsible choices, guided by solidarity, in order to guarantee sustainable development.

Appendix A

The Financial Situation During 2008

While tax revenue for this year is in line with the set objectives, total revenue will have increased by 142 million euros when compared to last year. This is the result of more and better jobs, and strong trade development. From other sources of revenue we will record a shortfall of 28 million euros from what was originally forecast for this year, but 18 million euros more than last year.

As regards expenditure, capital expenditure did not vary except on projects which are still at their early stages and which are funded by the European Union. However, as forecast, the opening of Mater Dei Hospital, as well as investment related to schools, led to a substantial increase in recurrent expenditure, both when compared to what was forecast in the beginning of this year and the amount registered last year.

Wages exceeded the approved amount for this year by 29 million euros and by 31 million euros when comparing 2008 to 2007, thanks to the ever improving conditions in public employment. Even maintenance and operational expenses increased as Government is aware that lack of funding in this sector constitutes short-term savings, since neglect or procrastination in this area leads to higher costs in the long run due to the necessity for replacements.

In this area, Government therefore spent 5 million euros more than forecast and 12 million euros more than last year.

Naturally, the largest variation is found under Programmes and Initiatives, where one finds Pensions and Social Benefits and subsidies for sectors requiring support, such as agriculture, students and public services. These increased by 116 million euros when compared to the amount forecast for this year, and by 174 million euros over the amount spent in 2007, which in both cases include the 100 million euros for *Malta Shipyards Ltd* employees and Enemalta Corporation, instead of a higher surcharge, due to the high prices of energy products.

As regards contributions to public entities, Government spent 5 million euros more than the amount originally approved and 9 million euros more than last year, mainly in the health sector in view of the fact that while Mater Dei Hospital is handling medical interventions, convalescence is handled in Karen Grech Hospital which is also complementing the requirements of Zammit Clapp Hospital.

Finally, interest on public debt, which finances the deficit from year to year, including the subsidy granted instead of a high surcharge and the schemes launched in favour of *Malta Shipyards Ltd* employees, increased by 4 million euros over the amount forecast this year and by 7 million euros when compared to the amounts for 2007 and 2008.

Details of the variations of the various elements of income and expenditure between the original estimates and the revised ones for 2008 are found in the Statements below.

Financial Situation in 2009

2008 closed with a Consolidated Fund deficit of 100 million euros, besides the 56 million euros granted in schemes for Drydocks workers and the other 44 million euros granted to Enemalta Corporation, instead of imposing a surcharge on consumers equivalent to the real price of oil. Had we so wanted, we could have stuck to the objectives we had established last year to close 2009 with a minimal deficit of 10 million euros.

We could have acted obstinately and stuck to what had been decided, irrespective of circumstances. However, we felt that this would have come at a cost. Our social conscience and our holistic plan which encompasses the various economic sectors compelled us to revise our plans such that, by means of a situation which actually reflects solid finances, we use the resources which the country is able to generate so that, through a mere one-year extension, from 2010 to 2011, the country will no longer need to continue borrowing, but will start repaying past debts thanks to a Treasury surplus.

Therefore, with full responsibility we are today presenting a serious financial package over a three-year period which, in the first place aims to attain the surplus objective for 2010 one year later, by 2011; secondly, 2009 will have a closing balance of 98.8 million euros, which will translate in a strategy of substantial investment in all sectors in order to ensure a sustainable economic development which counteracts and responds to external pressures which arise from time to time and which exploits the local potential which was built diligently by this Government in these last years.

Due to revenue from sources which already exist and new measures which are explained in other sections of this Speech, revenue from taxes will increase by 117 million euros when compared to revenue for 2008, that is 22 million euros less from the increase we experienced this year when compared to last year. We felt that this was necessary due to the fact that while we must continue supporting and financing administrative activities, in the current global situation, the Maltese people should be given a relief from tax burdens. This was one of the reasons why, as explained above, it was necessary to adjust the original plan.

Thanks to more and better jobs, revenue from income tax and social security contributions will increase by 60 million euros and 15 million euros respectively. In view of the country's expected economic and commercial performance, we are anticipating an increase of 23 million euros in VAT revenue, 16 million euros from Customs and Excise Duties and 4 million euros from licences and other miscellaneous taxes.

From other revenue, Government will receive 49 million euros more than this year, mainly from European Union grants which will allow the implementation of vital projects in the fields of education, infrastructure and environment.

As regards recurrent expenditure, next year we shall be experiencing an unprecedented situation. This is due to two one-off initiatives granted this year, which cost the Maltese Treasury no less than 100 million euros, namely the voluntary early retirement schemes for Malta Shipyards Ltd employees and the electricity surcharge subsidy. Consequently, recurrent expenditure for next year will be less than that for

this year. Hence, while wage expenditure and the cost of programmes and initiatives will increase by 22 million euros, and despite the fact that, for instance, pensions and social benefits and Treasury pensions will increase by 49 million euros when compared to this year's expenditure, the overall category indicates a decrease of 33 million euros.

Next year, under the category of contributions to public entities, the level of expenditure shall decrease, as a result of a lower burden imposed on Government by public entities such as Wasteserv Malta Ltd, MEPA, the Water Services Corporation and, naturally, Malta Shipyards Ltd.

It goes without saying that as regards interest on public debt, the expense from 2008 to 2009 will increase by 10 million euros in order to service the new borrowings made by Government this year in order to cover last year's deficit and to have sufficient funds for this year's deficit, including the two aforementioned main elements.

As regards capital expenditure, also thanks to funds provided by the European Union, as part of the 850 million euros package Malta obtained for the 2007-2013 period, capital investment will increase from 73 million euros in 2008 to 348 million euros in 2009.

Public Debt

Government's commitment to relieve the Maltese and Gozitan people from the public debt burden is unrelenting. Last year we promised that 2008 would be the last year during which the public debt balance would exceed 60% of the gross domestic product. We have been hit by the oil crisis,

as have all countries, and for this reason, together with the expenditure which Government made for the benefit of Malta Shipyards Ltd employees, the debt level is going to remain higher than desired until next year, but in the meantime, it will decrease by about one per cent of the gross domestic product to 61.9%.

It is worth recalling that, as happened this year, the amount of 500 million euros is not a new loan in itself, but represents the restructuring of existing debt. In fact, 208 million euros consist in old stocks which will mature during next year and will be converted to new stocks, and 200 million euros are Treasury Bills convertible to stocks.

We should not forget that high debt leads to a higher expenditure on interest, which therefore means that the country will have less funds to spend on its general welfare. Therefore, Government is waiting with great anticipation for the moment when, from 2011 onwards, instead of borrowing we start repaying debt. In this way, funds which are being used to service public debt will be freed up to be used more effectively for the benefit of our entire nation.

Appendix B

Examples of Vehicle Registration Tax reductions

Table 5.1

cc	Old VRT + VAT	New VRT	Difference	%
Up to 1000cc	2,579	1,455	-1,124	-44%
Greater than 1000cc up to 1300cc	3,630	2,132	-1,498	-41%
Greater than 1300cc up to 1500cc	5,328	3,834	-1,494	-28%
Greater than 1500cc up to 1800cc	7,823	5,656	-2,167	-28%
Greater than 1801cc up to 2000cc	11,058	9,946	-1,112	-10%
Greater than 2001cc up to 2500cc	18,232	17,308	-924	-5%
Greater than 2501cc up to 3000cc	27,594	34,357	6,763	25%
Greater than 3001cc	29,582	43,012	13,430	45%

Minimum tax on vehicles imported from outside EU/EEA

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	
0g/km up to and including 100g/km	-	-	-	-	-	1500	1680	1882	2107	2360	2644	2961	3316	37
More than 100g/km up to and including 130g/km	-	-	-	-	-	1800	2016	2258	2529	2832	3172	3553	3979	44
More than 130g/km up to and including 140g/km	-	-	-	-	-	2000	2240	2509	2810	3147	3525	3948	4421	49
More than 140g/km up to and including 150g/km	-	-	-	-	-	3500	3920	4390	4917	5507	6168	6908	7737	86
More than 150g/km up to and including 180g/km	-	-	-	-	-	4000	4480	5018	5620	6294	7049	7895	8843	99
More than 180g/km up to and including 220g/km	-	-	-	-	-	7000	7840	8781	9834	11015	12336	13817	15475	173
More than 220g/km up to and including 250g/km	-	-	-	-	-	12000	13440	15053	16859	18882	21148	23686	26528	297
More than 250g/km	-	-	-	-	-	13500	15120	16934	18967	21243	23792	26647	29844	334

Annual Circulation Tax on vehicles registered after 01/01/2009 – Petrol Engines

Year	0	1	2	3	4	5	6	7	8	9	10	11	12
0g/km up to and including 100g/km	100	100	100	100	100	125	138	151	166	183	201	221	244
More than 100g/km up to and including 130g/km	110	110	110	110	110	138	151	166	183	201	221	244	268
More than 130g/km up to and including 140g/km	120	120	120	120	120	150	165	182	200	220	242	266	292
More than 140g/km up to and including 150g/km	140	140	140	140	140	175	193	212	233	256	282	310	341
More than 150g/km up to and including 180g/km	180	180	180	180	180	225	248	272	299	329	362	399	438
More than 180g/km up to and including 220g/km	250	250	250	250	250	313	344	378	416	458	503	554	609
More than 220g/km up to and including 250g/km	500	500	500	500	500	625	688	756	832	915	1007	1107	1218
More than 250g/km	600	600	600	600	600	750	825	908	998	1098	1208	1329	1462

Annual Circulation Tax on vehicles registered after 01/01/2009 – Diesel Engines (PM 0-0.005g/km)

Year	0	1	2	3	4	5	6	7	8	9	10	11	12
0g/km up to and including 100g/km	100	100	100	100	100	125	138	151	166	183	201	221	244
More than 100g/km up to and including 130g/km	110	110	110	110	110	138	151	166	183	201	221	244	268
More than 130g/km up to and including 140g/km	120	120	120	120	120	150	165	182	200	220	242	266	292
More than 140g/km up to and including 150g/km	140	140	140	140	140	175	193	212	233	256	282	310	341
More than 150g/km up to and including 180g/km	180	180	180	180	180	225	248	272	299	329	362	399	438
More than 180g/km up to and including 220g/km	250	250	250	250	250	313	344	378	416	458	503	554	609
More than 220g/km up to and including 250g/km	500	500	500	500	500	625	688	756	832	915	1007	1107	1218
More than 250g/km	600	600	600	600	600	750	825	908	998	1098	1208	1329	1462

Annual Circulation Tax on vehicles registered after 01/01/2009 – Diesel Engines (PM 0.006-0.025g/km)

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	
0g/km up to and including 100g/km	105	105	105	105	105	131	144	159	175	192	211	233	256	2
More than 100g/km up to and including 130g/km	116	116	116	116	116	144	159	175	192	211	233	256	281	3
More than 130g/km up to and including 140g/km	126	126	126	126	126	158	173	191	210	231	254	279	307	3
More than 140g/km up to and including 150g/km	147	147	147	147	147	184	202	222	245	269	296	326	358	3
More than 150g/km up to and including 180g/km	189	189	189	189	189	236	260	286	314	346	380	419	460	5
More than 180g/km up to and including 220g/km	263	263	263	263	263	328	361	397	437	480	528	581	639	7
More than 220g/km up to and including 250g/km	525	525	525	525	525	656	722	794	873	961	1057	1163	1279	14
More than 250g/km	630	630	630	630	630	788	866	953	1048	1153	1268	1395	1535	16

Annual Circulation Tax on vehicles registered after 01/01/2009 – Diesel Engines (PM 0.026-0.035g/km)

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	
0g/km up to and including 100g/km	110	110	110	110	110	138	152	167	183	202	222	244	269	2
More than 100g/km up to and including 130g/km	121	121	121	121	121	152	167	183	202	222	244	269	295	3
More than 130g/km up to and including 140g/km	132	132	132	132	132	165	182	200	220	242	266	293	322	3
More than 140g/km up to and including 150g/km	154	154	154	154	154	193	212	233	257	282	311	342	376	4
More than 150g/km up to and including 180g/km	198	198	198	198	198	248	273	300	330	363	400	439	483	5
More than 180g/km up to and including 220g/km	276	276	276	276	276	345	379	417	459	504	555	610	671	7
More than 220g/km up to and including 250g/km	551	551	551	551	551	689	758	834	917	1009	1110	1221	1343	14
More than 250g/km	662	662	662	662	662	827	910	1001	1101	1211	1332	1465	1611	17

Annual Circulation Tax on vehicles registered after 01/01/2009 – Diesel Engines (PM 0.036+g/km)

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	
0g/km up to and including 100g/km	116	116	116	116	116	145	159	175	193	212	233	256	282	3
More than 100g/km up to and including 130g/km	127	127	127	127	127	159	175	193	212	233	256	282	310	3
More than 130g/km up to and including 140g/km	139	139	139	139	139	174	191	210	231	254	280	308	338	3
More than 140g/km up to and including 150g/km	162	162	162	162	162	203	223	245	270	297	326	359	395	4
More than 150g/km up to and including 180g/km	208	208	208	208	208	260	287	315	347	381	419	461	508	5
More than 180g/km up to and including 220g/km	289	289	289	289	289	362	398	438	481	530	583	641	705	7
More than 220g/km up to and including 250g/km	579	579	579	579	579	724	796	875	963	1059	1165	1282	1410	15
More than 250g/km	695	695	695	695	695	868	955	1051	1156	1271	1398	1538	1692	18

Annual Circulation Tax on vehicles registered before 01/01/2009 – Petrol Engines

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Up to and including 1300cc	75	75	75	75	75	75	75	86	87	88	89	91	92	93	95	96	98
More than 1300cc up to and including 1449cc	100	100	100	100	100	100	100	114	116	117	119	121	123	125	127	128	130
More than 1449cc up to and including 1500cc	115	115	115	115	115	115	115	131	134	138	141	145	148	152	156	160	164
More than 1500cc up to and including 1800cc	120	120	120	120	120	120	120	137	142	147	152	157	162	168	174	180	186
More than 1800cc up to and including 2000cc	220	220	220	220	220	220	220	251	260	269	278	288	298	308	319	330	342
More than 2000cc	390	390	390	390	390	390	390	445	460	476	493	510	528	547	566	585	606

Annual Circulation Tax on vehicles registered before 01/01/2009 – Diesel Engines

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Up to and including 1300cc	83	83	83	83	83	83	83	94	95	97	98	100	101	103	104	106	108
More than 1300cc up to and including 1449cc	110	110	110	110	110	110	110	125	127	129	131	133	135	137	139	141	143
More than 1449cc up to and including 1500cc	127	127	127	127	127	127	127	144	148	152	155	159	163	167	171	176	180
More than 1500cc up to and including 1800cc	132	132	132	132	132	132	132	150	156	161	167	173	179	185	191	198	205
More than 1800cc up to and including 2000cc	242	242	242	242	242	242	242	276	286	296	306	317	328	339	351	363	376
More than 2000cc	429	429	429	429	429	429	429	489	506	524	542	561	581	601	622	644	667

Annual Circulation Tax on motorcycles registered before 01/01/2009

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Not exceeding 50cc	50	50	50	50	50	50	50	55	56	57	58	58	59	60	61	62	63
Exceeding 50cc but not exceeding 125cc	52	52	52	52	52	52	52	57	58	59	60	61	62	63	63	64	65
Exceeding 125cc but not exceeding 250cc	56	56	56	56	56	56	56	62	63	63	64	65	66	67	68	69	70
Exceeding 250cc but not exceeding 500cc	58	58	58	58	58	58	58	64	65	66	67	68	69	70	71	72	73
Exceeding 500cc but not exceeding 800cc	60	60	60	60	60	60	60	66	67	68	69	70	71	72	73	74	75
Exceeding 800cc	62	62	62	62	62	62	62	68	69	70	71	72	73	75	76	77	78
Battery/electric motorcycle	10	10	10	10	10	10	10	11	11	11	12	12	12	12	12	12	13
ATV (to be used on the road)	75	75	75	75	75	75	75	83	84	85	86	88	89	90	92	93	94

Appendix C

STATEMENT A
REVENUE 2008 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION +	VARIATION -	REMARKS
			€	€	
TAX REVENUE					
Direct - Income Tax	728,000,000	738,800,000	10,800,000	-	Higher receipts than originally expected on provisional tax.
Social Security	521,800,000	513,500,000	-	8,300,000	Lower receipts are expected against the estimate; one third of the amount represents Contribution.
Indirect - Customs and Excise Duties	184,460,000	185,310,000	850,000	-	Higher receipts than expected from import duty.
Licences, Taxes and Fines	241,079,000	228,660,000	-	12,419,000	Shortfall expected in view of lower receipts on duty on documents.
Value Added Tax	447,000,000	454,500,000	7,500,000	-	Receipts from VAT are expected to be higher than originally forecasted.
TOTAL TAX REVENUE	2,122,339,000	2,120,770,000		1,569,000	

NON-TAX REVENUE

Fees of Office	49,489,000	52,681,000	3,192,000	-	Increase mainly due to higher receipts projected from eco-contribution.
Reimbursements	29,552,000	30,984,000	1,432,000	-	A conservative forecast was originally made for contributions paid by the elderly residents of Government Institutions.
Public Corporations	5,201,000	5,201,000	-	-	
Central Bank of Malta	25,600,000	28,700,000	3,100,000	-	Year 2007 profits passed to Government.
Rents	22,536,000	24,036,000	1,500,000	-	Higher receipts than projected are expected from rent on commercial tenements.
Dividends on Investment	17,700,000	24,400,000	6,700,000	-	The originally forecasted level of dividends receivable is expected to be higher.
Repayment of Government Loans and Interest	179,000	179,000	-	-	
Grants	116,112,000	68,604,000	-	47,508,000	Reimbursement of grants under the Structural Cohesion Programmes is to continue in the next few years, throughout the duration of the programmes.
Miscellaneous Receipts	22,110,000	29,010,000	6,900,000	-	
Total Non-Tax Revenue	288,479,000	263,795,000		24,684,000	
TOTAL RECURRENT REVENUE	2,410,818,000	2,384,565,000		26,253,000	

NON-ORDINARY REVENUE

Sale of shares	0	0	-	-	
Sinking Funds of converted loans	32,408,000	33,350,000	942,000	-	Actual proceeds from sinking funds of converted loans maturing during 2008.
Local Loans	186,350,000	279,526,000	93,176,000	-	Local loans raised to finance the public borrowing requirement in the Consolidated
TOTAL NON-ORDINARY REVENUE	218,758,000	312,876,000	94,118,000	0	
GRAND TOTAL	2,629,576,000	2,697,441,000	67,865,000		

STATEMENT B
RECURRENT EXPENDITURE 2008: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

Vote	Approved Estimate €	Revised Estimate €	Variation		Remarks
			+	-	
	€	€	€	€	
5 Office of the Prime Minister	15,127,000	16,590,000	1,463,000		Funds have been additionally provided to cater for Personal Emoluments category. Increase was experienced under the Programmes and Initiatives, particularly with respect to EuromedITI. Part of the increase was offset by less outlay under the Contributions made to Government Entities.
7 Armed Forces of Malta	32,556,000	35,032,000	2,476,000		Higher expenditure than originally forecasted is experienced under this vote, particularly under the Personal Emoluments category and also under Programmes and Initiatives, due to necessary additional funding for <i>Third Country Nationals</i> .
10 Electoral Office	4,086,000	5,704,000	1,618,000		Increased expenditure under <i>Electoral Commission Activities</i> related to the General Election in the quarter of 2008.

11 Ministry for Justice and Home Affairs	9,781,000	10,212,000	431,000	Expenditure under Personal Emoluments, Operational and Maintenance Expenses and Programmes and Initiatives (mainly due to <i>Detention Service</i>) was higher than expected but was partially offset by lower expenditure under Contributions to Government Entities.
12 Judicial	9,073,000	9,531,000	458,000	Increased expenditure is expected particularly within the Personal Emoluments category and the <i>Summoning Expenses of Witnesses of Jurors</i> , and <i>Fees of Expenses of Criminal Court</i> under Programmes and Initiatives.
14 Police	39,506,000	42,581,000	3,075,000	Increased expenditure resulted mainly under the Personal Emoluments category to cater for new recruits joining the Police Force and overtime related to the Bus Strike during General Elections.
15 Correctional Services	7,102,000	7,958,000	856,000	An increase was required in expenditure under the Personal Emoluments category. Expenditure was shifted from Operational and Maintenance Expenditure to Operational and Maintenance Expenditure under Programmes and Initiatives, to increase the funding allocation as a result of increased number of inmates.
16 Civil Protection	3,277,000	3,429,000	152,000	Increase under the Personal Emoluments category was recorded as a result of recruitment and transfers to the Civil Protection Department throughout the year.

18 Land and Public Registration Division	2,437,000	2,894,000	457,000		Expenditure under the Operational and Maintenance Expenses category exceeded the original forecast in respect to <i>Contractual Services</i> . Approved allocations also exceeded under the Personal Emoluments category as a result of recruitment and transfers.
19 Ministry of Finance	64,503,000	81,688,000	17,185,000		Expenditure under the Personal Emoluments category and the Operational and Maintenance Expenses was higher than expected mainly due to a wider portfolio of activities covered by the Ministry of Finance, the Economic Development and Investment following the establishment of the Ministry of Ministerial portfolios. Higher expenditure than originally projected is mainly due to increased <i>EU Own Resources</i> contribution, additional funding provided to the Change Over Committee and to the Foundation of Nursing Services in relation to the Mater Dei Hospital.
20 Treasury	9,776,000	3,360,000		6,416,000	Savings resulted under the <i>Salaries and Pensions Adjustments</i> item. These were used to partly make up for the excesses under other votes.
21 Pensions	79,982,000	81,113,000	1,131,000		Further funding than originally voted is required to meet the needs for actual requirements under the Vote in terms of Pensions Ordinance.

22 Public Debt Servicing	201,610,000	298,793,000	97,183,000		Higher interest costs (€7m) are being forecasted Treasury Bills. This will be partly offset by lower expected with respect to the long term loans. €93m variance represents the amount of loan repayments were converted into new loans.
24 Customs	11,961,000	11,806,000		155,000	Savings are expected under the Personal Emoluments category.
28 Ministry of Education, Youth and Employment	112,597,000	115,217,000	2,620,000		Higher expenditure under the Programmes and Initiatives category is primarily due to excesses within the <i>Schools</i> item. It is forecasted that additional funding also be required for <i>Training/Employment Programmes</i> and under the Personal Emoluments Operational and Maintenance Expenses.
29 Education	124,535,000	129,452,000	4,917,000		Expenditure increased under the Personal Emoluments category to cover expenses related to the recruitment of new teachers.
30 Industrial and Employment Relations	1,707,000	1,146,000		561,000	Lower expenditure is expected under Programme Initiatives.
32 Ministry for Tourism and Culture	11,300,000	12,265,000	965,000		Increase is related to the additional expenditure incurred with respect to <i>Arts and Cultural Events</i> .
33 Ministry for Competitiveness and Communication	8,160,000	8,554,000	394,000		Higher expenditure under the Operational and Maintenance Expenses and Contributions to Governmental Entities was partially offset by savings under the Personal Emoluments category.

34	Commerce	5,563,000	6,998,000	1,435,000	Expenditure under <i>Food Subsidies</i> was higher than expected.
35	Consumer and Competition	1,416,000	1,866,000	450,000	Personal Emoluments' expenditure is envisaged higher than expected mainly as a result of recruitment of Market Surveillance Officers.
36	Civil Aviation	1,267,000	1,997,000	730,000	Increase in expenditure was experienced mainly in payments related to Eurocontrol under the item <i>International Memberships</i> .
37	Ministry for Resources and Infrastructure	39,490,000	39,837,000	347,000	Increased funding required for <i>Incidental Expenditure Reporting Schemes</i> was partially offset by savings under the Personal Emoluments category.
38	Ministry for Gozo	49,257,000	52,169,000	2,912,000	Increase is mainly expected in the Personal Emoluments category, mainly due to back office work being transferred to Gozo. This is expected to be partially offset by savings in Programmes and Initiatives.
39	Ministry for Health, the Elderly and Community Care	216,000,000	235,294,000	19,294,000	Expenditure increase across the Vote is expected to be partially offset by savings under <i>Materials and Supplies</i> . The main excess resulted in the Personal Emoluments category, <i>Medicines and Surgical Materials</i> , <i>Carmel Hospital</i> and <i>Karen Grech Rehabilitation (Z.C.H.)</i>

40 Elderly and Community Care	40,599,000	42,588,000	1,989,000	Excesses are primarily envisaged under the Personal Emoluments category and also with respect to <i>Care/Help Services Scheme</i> .
41 Ministry for Investment, Industry and Information Technology	90,913,000	189,589,000	98,676,000	Excesses were particularly visible under the Programmes and Initiatives category mainly with respect to <i>Pensions under MDD/MSCL Voluntary Retirement Schemes/Early Retirement Schemes and Energy Savings Measures</i> .
43 Ministry for Urban Development and Roads	11,449,000	13,485,000	2,036,000	Supplementary funding was required primarily under the <i>Guaranteed Earnings Agreement with the Transport Association</i> . This was partly offset by savings under the categories of the Personal Emoluments and Contributions to Government Entities.
44 Ministry for the Family and Social Solidarity	28,134,000	31,584,000	3,450,000	Expenditure higher than the original forecast is expected under the Personal Emoluments category (primarily under <i>Staff - Salaries and Wages</i>), Operation and Maintenance Expenses (<i>Information Campaigns</i>), Programmes and Initiatives (mainly due to the <i>Redemption Fund</i>) and Contributions to Government Entities (<i>Sedqa, Support and Appogg</i>).
45 Social Security	179,504,000	176,902,000	2,602,000	Savings are expected under the <i>State Contributions</i> in terms of the <i>Social Security Act, 1987</i> .
46 Social Security Benefits	614,649,000	619,000,000	4,351,000	It is anticipated that expenditure will be higher than expected, mainly under <i>Retirement Pensions</i> .
48 Housing	2,683,000	3,021,000	338,000	Additional funds are required with respect to properties requisitioned premises.
49 Ministry of Foreign Affairs	22,968,000	24,600,000	1,632,000	Higher expenditure than originally projected is expected to materialise under the Personal Emoluments, Operation and Maintenance Expenses and the Programmes and Initiatives categories.
TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING	2,052,968,000	2,316,255,000	263,287,000	
TOTAL SAVINGS			9,734,000	
NET BALANCE			87,449,000	

STATEMENT No. C

CAPITAL EXPENDITURE 2008: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE	REVISED ESTIMATE	VARIATION		REMARKS
			+	-	
	€	€	€	€	
I Office of the Prime Minister	6,250,000	5,688,000	-	562,000	Additional funds were required due to refurbishment of Villa Francia, procurement of GMDSS system, extension of Haywharf quay and the Third Country Nationals Centre. However, the overall expenditure under this Vote is expected to be less due to lower disbursements under EU co-financed projects and on the construction of the Maritime Square and New Administration Block.
II Ministry for Justice and Home Affairs	10,425,000	13,589,000	3,164,000	-	Increased funding was required under the ICT programme, works at the Office of the Attorney General, Law Courts and on land expropriation contracts. Additional expenditure is envisaged on the National Identity Management System, and EU co-financed projects.

III	Ministry of Finance	50,375,000	32,641,000	-	17,734,000	Lower expenditure materialised under ICT Corporate EU Structural Funds 2007-2013 co-financed projects and Dei Hospital, in the latter case, since its expenditure incurred in 2007 instead of 2008.
IV	Ministry of Education, Youth and Employment	34,920,000	17,645,000	-	17,275,000	Higher expenditure is expected under ICT, EU Structural Funds 2004-2006 projects and Foundation for Tomorrow's Schools. Lower expenditure is anticipated under EU Structural Funds 2007-2013, Regional Sports Complex I/o Kirkop and Government Schools.
V	Ministry for Tourism and Culture	39,215,000	37,667,000	-	1,548,000	Expenditure under the EU co-financed Structural Funds 2013 programme and the EEA/Norwegian Mechanisms 2004-2009 is envisaged to be less than 2007-2013. However, disbursement on the EU Structural Funds 2004-2006 has increased.
VI	Ministry for Competitiveness and Communication	11,655,000	5,063,000	-	6,592,000	Less disbursement is anticipated under EU Structural Funds 2007-2013 co-financed projects and Qali Crafts Village Project. Higher expenditure is expected to be incurred on EU Structural Funds 2004-2006 and 2007-2013 Facility co-financed projects.

VII	Ministry for Resources and Infrastructure	14,475,000	7,206,000	-	7,269,000	Outlay under the EU Structural and Cohesion Funds 2013; locally sourced projects under the upgrading of storm-water systems; restoration of fortifications and historical places; upgrading works at main touristic areas; rehabilitation projects, is expected to be lower than envisaged.
VIII	Ministry for Gozo	10,145,000	6,181,000	-	3,964,000	Lower expenditure is registered under the EU Structural Funds 2007-2013 programme and on locally sourced projects. Higher expenditure is envisaged on restoration and improvements to historical sites.
IX	Ministry of Health, the Elderly and Community Care	20,745,000	25,011,000	4,266,000	-	An increase in expenditure under ICT, the Integrated Information Systems, the Non-Medical Equipment and Facilities at Mater Dei Hospital has been registered.
X	Ministry for Investment, Industry and Information Technology	51,760,000	64,756,000	12,996,000	-	Higher expenditure is expected under Investment Acquisition; Malta Freeport Corporation; Malta Enterprise sewerage system extension / improvements works. A decrease in expenditure is expected under the EU Structural Funds 2013 programme and Gozo Ferries.

XI	Ministry for Rural Affairs and the Environment	41,055,000	35,752,000	-	5,303,000	The lower expenditure under the EU 2007-2013 co-f programmes, the EU Agricultural Fund for Rural Devel and EU Fisheries Fund has been compensated disbursements under the EU Structural and Cohesion 2004-2006 and WasteServ Malta Ltd.
XII	Ministry for Urban Development and Roads	29,920,000	23,099,000	-	6,821,000	Lower expenditure is expected under EU Structural 2004-2006 and 2007-2013, Cohesion Funds 2007-2013 subsidy on the purchase of new route buses. expenditure is anticipated under Roads' locally projects.
XIII	Ministry for the Family and Social Solidarity	6,780,000	6,258,000	-	522,000	Increased expenditure has resulted under the EU co-f 2004-2006 projects, the EU ESF Equal Programme Social Housing and Housing Authority items. Whi expenditure is expected under the 2007-2013 EU co-f programme.
XIV	Ministry of Foreign Affairs	680,000	1,141,000	461,000	-	Additional funds provided to meet Schengen ICT requi and those at the Permanent Representation to the EU, works carried out at the Central Visa Unit and the M Consulate.
TOTAL CAPITAL EXPENDITURE		328,400,000	281,697,000		46,703,000	