

Budget 2023

Malta Chamber of SMEs` 50 proposals

August 2022

Preamble



The year 2022 has overall proven to be a successful year. Despite the many challenges, the increased level of consumption, especially the pick-up of tourism gave reason for much encouragement.

Significant uncertainties have however also dominated the year. The series of unfortunate events is continuing, with the war between Russia and Ukraine immediately following suit the Covid crises. These events also led to several global concerns, which had not featured in many years.

The current levels of inflation, the energy crises, logistics and human resources are a few which the world is currently battling and Malta is trying its very best to stay afloat despite the powerful international waves that keep threatening.

It is clear that national unity is key to continue doing our best on issues where Malta is powerless. Apart from this Malta must push for the European Union to be a bigger player in bringing member states together to battle such challenges.

The SME Chamber Budget priorities for 2023

- Taxes that reflect today's significant economic challenges
- Human Resource Crises
- Business Incentive Schemes
- Unfair Competition – Restoring a level playing field
- Import disruptions and challenges
- Export support
- Bureaucracy and regulatory requirements
- Malta's Quality – Quality of life and Tourism
- Education and Accredited Training
- Carbon neutral strategy
- Renewable Energy
- Incentives for Gozo

Taxes that reflect today's significant economic challenges

SMEs have been pushing through turbulent times and they find themselves uneasy looking into the future. Whilst recognising the international challenges and that there is very limited action Malta can take in influencing what happens on a global level, SMEs believe that Malta has options that can help mitigate the impact. Taxes are a main area where tactful manoeuvring can counteract a number of impacts.

Enterprises are currently facing multiple challenges which make them feel powerless. These are challenges that are too big for them to overcome with their own initiative and Government assistance is greatly needed.

A recent survey (August 2022), carried out by the Chamber of SMEs outlines the main challenges and worries businesses are facing.

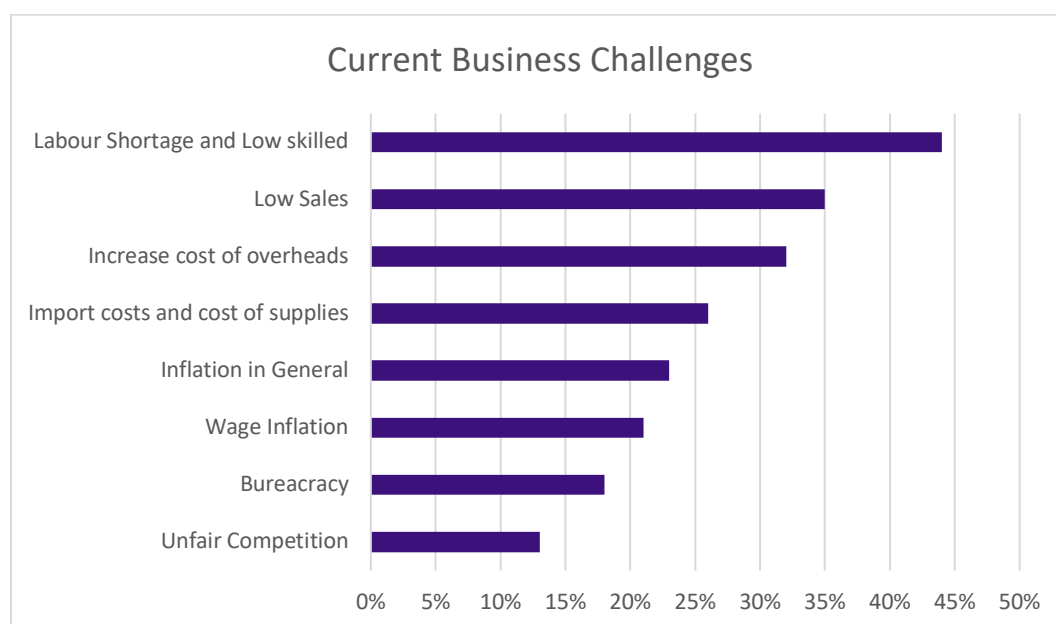


Table 1 – Source: Malta Chamber of SMEs pre-Budget Survey – August 2022

SMEs explain weak levels of consumption as being a product of inflation, leading to lower spending power and lack of confidence. Added to this, Malta's tourist dependent economy is still suffering post Covid, with fewer tourists travelling and the cost of visiting Malta becoming less competitive.

At the same time costs are increasing everywhere businesses touch with, whether it is running costs or costs or investments resulting in a much higher cost than

projected. The most significant overhead cost is staff costs, which are described as increasing more frequently than ever.

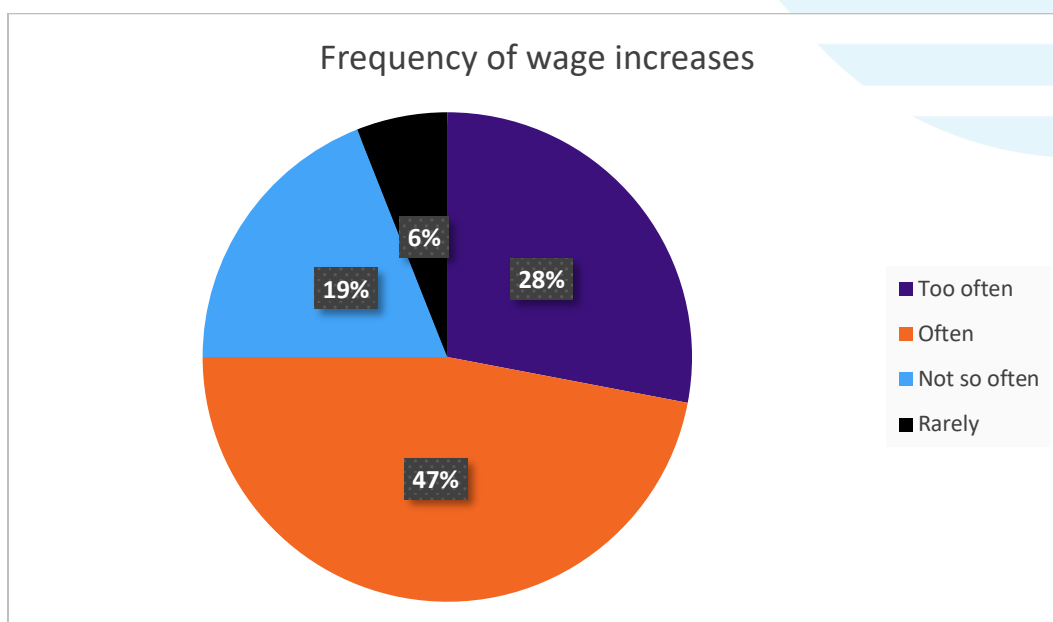


Table 2 – Source: Malta Chamber of SMEs pre-Budget Survey – August 2022

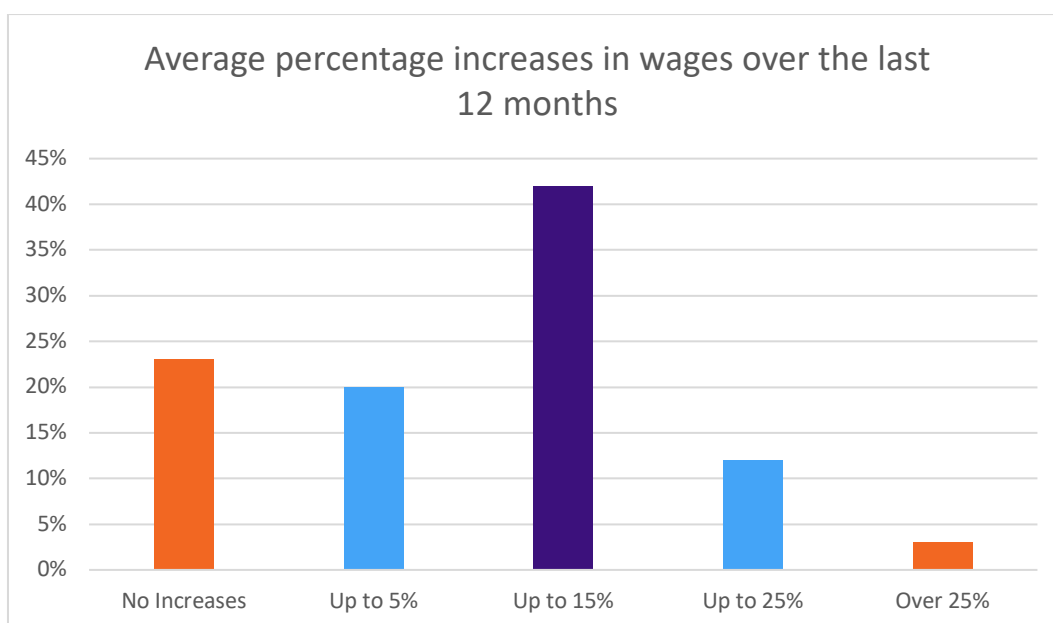


Table 3 – Source: Malta Chamber of SMEs pre-Budget Survey – August 2022

Wage inflation is in fact the main contributor to local induced inflation. Other contributors to inflation are coming from Malta's import dependent situation. High freight costs have become a global phenomenon which has manifested itself longer than anticipated. Coupled with this, supplies have themselves become more expensive with the increased cost and scarcity of raw materials.

With everything that is going on around us, businesses feel helpless and appreciate that impactful action is limited. Having said this, businesses give utmost priority to action that can be taken and challenges they are facing due to local policies and rules. The 6/7ths tax incentive continues to be very hurtful to businesses and is quoted by businesses as the most unfair and anti-local business measure.

Tax adjustments can be main relievers to address the challenges identified above and mitigate their impact in order to avoid further inflation.

Lowering VAT levels will counteract inflationary increases, boost consumer confidence and make Maltese businesses more competitive.

Lowering corporate tax will help businesses keep price increases under control, offset the significant impact of wage inflation and balance the significantly harmful and offensive unfair competition with foreign businesses opening in Malta and competing directly with local businesses.

<p>Proposal 1</p>	<p>Lower Corporate Tax to 15%.</p> <p>This will increase the balance between the local and foreign owned businesses. Whilst still, there is an unfair advantage, it would certainly improve the status-quo, whilst retaining the important advantage that attracts foreigners.</p> <p>Reducing Corporate Tax will also alleviate the need to pass on inflationary pressures. Many businesses speak of their worries of not remaining competitive and their clients not being able to afford further increases.</p>
<p>Proposal 2</p>	<p>Use tax to incentivise businesses</p> <p>Lower tax rates should be implemented for qualifying businesses. Some examples of which businesses qualify could include.</p> <ul style="list-style-type: none"> - Enterprises operating completely electronically (payments)

	<ul style="list-style-type: none"> - Enterprises reaching specific and achievable sustainability targets
Proposal 2	<p>Widening of tax brackets for individuals</p> <p>The increase in cost of living is very real. It is also however true that businesses are already carrying increases coming from all directions and it is unrealistic to expect businesses to carry all of this burden. The widening of the tax brackets will help lower the pressure related to the cost of living.</p>
Proposal 3	<p>Reduce VAT</p> <p>A measure already proposed by the Malta Chamber of SMEs to counteract inflation. Reducing VAT is a great incentive to encourage spending and also to direct consumption patterns. At the moment the government is receiving more income from VAT due to the increase prices of products. Whilst lowering VAT, government will not necessarily reduce its projected income.</p> <p>Tactfully, the government should also consider heavily reducing or completely eliminating VAT on specific goods or services, based on the importance on these for the local economy and the strengthening of the sector. A few examples are locally manufactures crafts and works of art as well as DMC services which is quality tourism Malta would manage to win over other countries.</p>
Proposal 4	<p>Removal of Excise Tax</p> <p>SISA is an unfair hidden tax. Unfair on businesses and unfair on consumers. It is an indirect way for the collection of public revenue, which is not fitting the current economic situation when consumption should be incentivised and not dis-incentivised.</p>
Proposal 5	<p>Remove transfer tax to all family transfers</p> <p>A family is one nucleus and should be considered as such also for business purposes. No tax should be due for transfer of identified family members, including children or siblings, including document duty. The removal of any taxes due should be both in case of inter-vivos and causa mortis.</p>

Proposal 6	<p>Reformed pension system to be able to guarantee a reasonable state pension</p> <p>Malta's life expectancy is 83 against a global average of 72.8 years. In the next decade, Malta will have a large shift from workers earning salaries between €20,000 and €100,000 to pensioners earning less than €20,000 per annum. A considerable reduction in people's spending power that may slow our economy. Every employee in Malta pays NI regularly, which approximately is equivalent to a pension plan. However, over the years, instead of segregating and investing these funds, Governments mix this with other revenues and now it is very difficult to secure a decent pension for all.</p>
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Human Resource Crises

As is clearly shown in Table 1, the most significant single challenge businesses are facing is the lack of human resources across the board. Employees have space to be very selective, leaving a large number of sectors starved of resources and even the sectors considered as attractive are finding big difficulties.

44% of enterprises feel the lack of human resources is the most prominent problem for them, even more than inflation. Coupled with this, businesses also explain how poor the quality of the employment market is. Skills mismatch is at an all-time high and while the cost of employment is increasing at a very fast pace, employees have still not regained their energy levels following Covid and productivity is depleting.

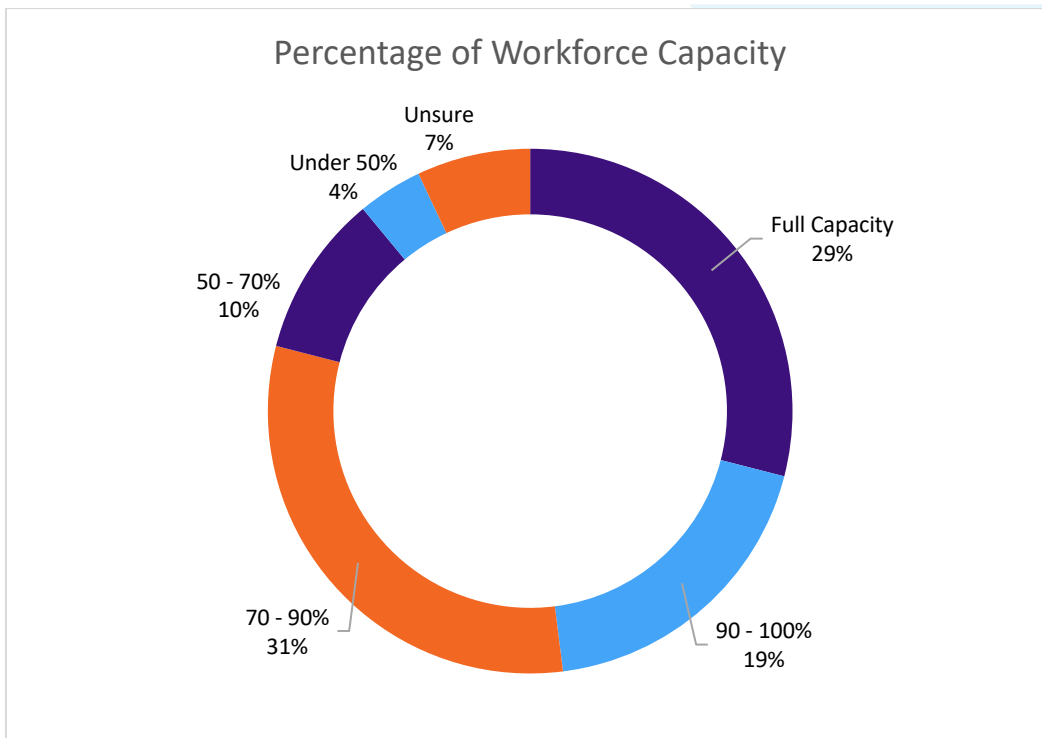


Table 4 – Source: Malta Chamber of SMEs pre Budget Survey – August 2022

Table 4 shows how acute the lack of workforce is, with businesses struggling to operate, sometimes even at basic levels of service and having to reduce business operation and outlets.

The scarcity of human resources locally is of concern. Employing locals, apart from being a preference for businesses in general, is important to have a well-knit social and economic fabric. It is also important to guarantee access to basic services without barriers (language, custom) and ensure quality, for example, in the tourism and hospitality side.

Poaching is rampant between the private sector and it is the highest reason why employees move jobs. This also shows a very high degree of job mobility and employee turnover. This is a concern because we feel that the current rate of mobility is much higher than what a healthy level should be.

Adding on to this, the private sector is continuously competing with the public sector which should be the exception not the rule. Current circumstances surely are not fitting to increase public sector employment and taking necessary people out of the private sector.



Table 5 – Source: Malta Chamber of SMEs pre Budget Survey – August 2022

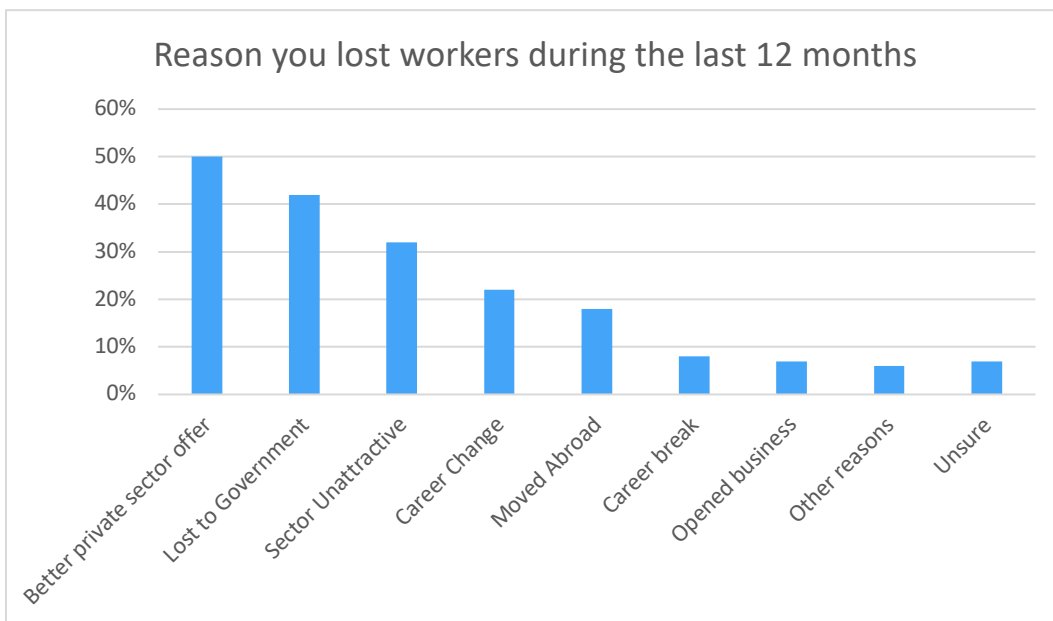


Table 6 – Source: Malta Chamber of SMEs pre Budget Survey – August 2022

Even though businesses would much prefer to employ locals or EU nationals, as an alternative, the limited numbers of locals and the rental cost for EU nationals

does not make this possible. Finding English speaking TCNs limits the recruitment options greatly.

Unfortunately, despite improvements, Malta does not operate a TCN recruitment system that reflects a country that is dependent on TCNs. Timeframes are haywire, the bureaucracy is senseless, and the cost is prohibitive. The system is operated in the least sustainable manner possible.

<p>Proposal 7</p>	<p>Agree with social partners on a committed framework that would be transparent and govern employment with the public sector.</p> <p>The public service is grossly over-staffed and lacks productivity. Human resource management is not government public-sector recruitment in the least.</p> <p>All public sector employees should be held accountable for their work, attend the hours and contribute as required.</p>
<p>Proposal 8</p>	<p>Implement an attractive secondment plan with the private sector to increase productivity and incentivise private sector employment.</p>
<p>Proposal 9</p>	<p>Reinstate proper trade programmes where pupils that do not want to attend standard education programmes can follow and learn specific trades that would make them industry ready. This would also welcome pupils that have decided on their trade route.</p> <p>Members mention Malta’s original trade schools. Inclusion of trade skills should start from the younger years.</p>
<p>Proposal 10</p>	<p>Initiate a rental voucher scheme to attract European nationals to come work in Malta. The scheme would run for a minimum of 2 years.</p>
<p>Proposal 11</p>	<p>Implement a shorter route for the employment of TCN’s, changes would include:</p> <ul style="list-style-type: none"> - Increasing the digital investment - Authorities making available already approved employees at source through national campaigns in different countries

	<ul style="list-style-type: none"> - Visa interviews to be held online - Reducing the complete process from application to visa to a 3 month maximum for all countries
Proposal 12	<p>Apply incentives given to part-time fixed tax rate of 10% to current overtime that is eligible to 15%.</p> <p>Employees opting to work part-time due to the lower tax will be encouraged to instead work over-time with their main employer. Overtime is and will continue to be voluntary and where this is chosen employees should be given an extra hand for giving more to the economy and helping their employer in this difficult human resource moment.</p>

Business Incentive Schemes

Carrying out investments, while facing running cost increases and cost of investments are going up, is not easy. At the same time businesses are still keen to invest in order to help overcome these same challenges and becoming more resilient.

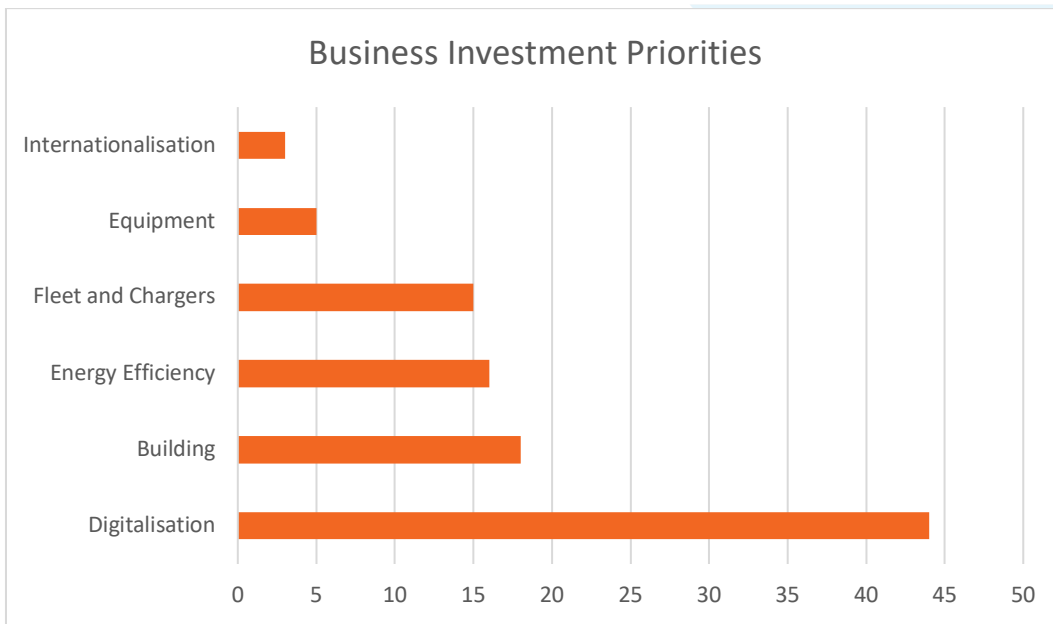


Table 7 – Source: Malta Chamber of SMEs pre-Budget Survey – August 2022

It is good to note that businesses have a strong appetite for investing and the drive for greater digitalisation and sustainability, started during Covid, has clearly not been forgotten. Cost is one of the biggest challenges in this field and therefore incentives to help businesses more during these trying times are needed.

Businesses complain of the senseless bureaucracy involved, saying that it is easier to get financing from the bank, even though we all know that, that in itself is not easy at all.

Incentives should be put in place also for the encouragement and strengthening of a number of niche sectors that could become a major pillar in Malta’s economy. One of these sectors is surely the Yachting industry. The overall economic impact of supporting such a good quality niche is even greater when account is taken of the multiplier effects that the maritime activities generate in other sectors of the economy (e.g. banking, legal services, provisions, marine engineering).

Proposal 13	<p>Comprehensive eCommerce grant scheme</p> <p>No eCommerce is successful without proper marketing. A capped percentage of the grant should allow for the implementation of a marketing plan.</p>
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<p>Proposal 14</p>	<p>Improving Micro Invest</p> <ul style="list-style-type: none"> - Make 50% of the eligible tax credit convertible to a grant, up to Eur 5,000. - Extend the duration to use the tax credit to 5 years instead of the current 3 years. - Increase the incentive capping from 50K to 70K for all businesses and from 70K to 90K to the groups that are currently eligible for a higher incentive. This capping has been in place for a good number of years now and requires urgent updating, especially in view of spiralling inflation. - Micro Invest should also include short CPD courses as an eligible cost to encourage CPD amongst SMEs.
<p>Proposal 15</p>	<p>Workable definition of Single Undertaking</p> <p>Malta is unfortunately being very rigid in its application of the SME Definition, which itself is quite vague. Businesses are feeling that documents that keep on being requested, many times not within their responsibility or control, are being requested to make businesses' life more difficult and avoid funding.</p>
<p>Proposal 16</p>	<p>Taking the yachting industry to the next level</p> <ul style="list-style-type: none"> • Establish an incentive grant scheme specifically for this sector. The utilisation of these grants would, amongst others, go towards the participation in the international yachting activities. • Recognise the urgent need for a fully-fledged yacht marina in Manuel Island, in order to draw more superyachts to Malta. The Midi Development will certainly serve to stimulate the yachting business and will make a substantial contribution to the Maltese economy. • The development of a proper local yachting market analysis. • Upgrading the areas surrounding the main yacht marinas.

Unfair Competition – Restoring a level playing field

Unfair Competition ranks among the top challenges and concerns facing businesses. Whilst there are many unfair situations that they suffer, four are at the top of the list:

- Sham public procurement
- Tax evasion of goods coming through Sicily
- 6/7ths tax incentive
- Money laundering and fraud

Maltese businesses find it very difficult to compete with the small market conditions they operate in and the additional costs they incur on importation. Adding unfair competition in the mix makes it impossible to be competitive.

Malta is a small island. Enforcement should not be difficult. Many cases are the perfect example of flagrant and daylight robbery, where it is evident that there is no real political will to take action. Enforcement and regulators are strong with the weak and weak with the strong.

Worse than lack of enforcement is what many businesses describe as evident facilitation of unfair competition by the authorities through preferential treatment during public procurement. Public procurement practices in Malta do not follow the EU's direction on equitable procedures with the inclusion of several artificial barriers both at entry stage and to get some form of redress by challenging the awarded tender.

There is lack of trust in the public procurement system and the conviction that tenders are set up for specific and repeated service providers which are pre-chosen, pre-advised and have tenders tailored to their specifications.

Proposal 17	Public Procurement fairness <u>Public Procurement Ombudsman</u> that would be independent and be able to scrutinize tenders that are presented to it through formal presentation. The Ombudsman would also carry out independent checks and reviews of adjudication or non-performance.
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	<p>Issue a percentage amount of tenders for all governmental entities that would need to be adjudicated following the <u>MEAT</u> system.</p> <p><u>Remove tender financial requirement.</u> These should only be required upon winning the tender and in understandable proportions. This also includes the removal of substantial financial fees to raise claims on the adjudication process.</p>
Proposal 18	<p>Scanner at Catamaran Exit - Tax payment through all channels</p> <p>Businesses report serious evasion and non-declaration coming from Sicily onboard the catamaran.</p> <p>Authorities are obliged to ensure that taxes due are declared correctly and when there is serious suspicion of evasion corrective measures are to be carried out. Both VAT and Excise Tax are currently being evaded through the system.</p>
Proposal 19	<p>Incentivise the shift to electronic payments for businesses</p> <p>The high use of cash gives opportunities of tax evasion and money laundering. With the right incentives (such as lowering tax) businesses would be encouraged to make a complete move to digital payments and guarantee traceability.</p>

Import disruptions and challenges

The cost of importation has skyrocketed drastically over the last couple of years. There are two main reasons behind this. One is Brexit and the other is the cost of international shipping going drastically up.

Malta being so reliant on importation and also being dependent on importation by sea means that Malta has been more hit than other countries from such increases. Economies of scale also result in Maltese businesses being unable to control the cost and retain supply agreements.

The increases Maltese businesses have experienced have more than doubled the cost of shipping and the cost is not the only factor that was heavily affected. Members report that having no lead time is resulting in very difficult circumstances to manage the business and disruptions in consumer agreement. It is anticipated that the current high prices will take long to go down, if they ever will.

Brexit has continued adding onto this problem. The importation regime has resulted in so much bureaucracy that Maltese businesses are losing English suppliers because the level of bureaucracy is not worth the small market of Malta has to offer. This is leading to consumer goods which Maltese consumers have become long accustomed to, to exit the market. Obviously long-standing business agreements and investment in brands are going down the drain.

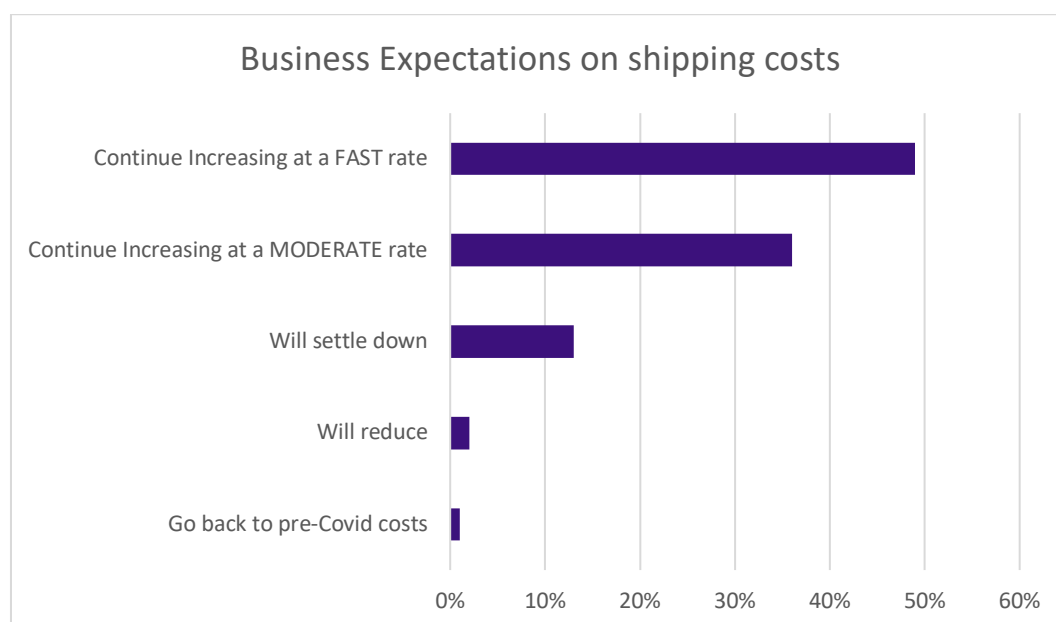


Table 8 – Source: Malta Chamber of SMEs pre-Budget Survey – August 2022

Business expectations on the subject does not paint a rosy picture. 85% of businesses expect the already exorbitant costs to continue increasing at a moderate to fast rate. This is a very big concern for Malta and a very serious economic threat.

Apart from the increases in costs there are a number of other considerable difficulties businesses are encountering when importing. These include:

- Delays and unreliable timeframes – this is also a cost to business and creates difficulties in supplying work and participating in tendering.
- Product availability
- Customs and TARIC system bureaucracy, this includes inconsistent and lack of clear approach of customs and their limitations in working hours
- Storage space limitations due to having to stock more also affecting their cashflow

Proposal 20	<p>Push EU to take action</p> <p>The EU should have a united front that tackles dominances and abuse in the market, also through incentivising increased competition</p>
Proposal 21	<p>Independent review of Customs procedures</p> <p>Customs should carry out an independent review of its processes and streamline, making it more user friendly, accessible and result in a lower cost to business.</p>
Proposal 22	<p>VAT and Customs duty to be calculated on the cost of the goods only</p> <p>Currently this is calculated also on shipping</p>
Proposal 23	<p>Reform the Rent Subsidy Scheme</p> <ul style="list-style-type: none"> - Double the aid capping from Eur 25,000 to Eur 50,000 - Remove the 100 employee capping in order to make this scheme accessible to all sizes of businesses. Helping larger food importers, for instance, will have a ripple effect on multiple smaller businesses. <p>This will help businesses manage their timeframes, costs of products and workflows much better.</p>
Proposal 24	<p>Malta to present its case at EU level to get specific exemptions on Brexit procedures, based on Malta' dependence and market limitations, on the paperwork required to import from the UK. In</p>

addition to this Malta needs to adopt a much more practical approach on Brexit regulations.

Export support

Malta's market limitations make export a necessity. These same market limitations however make exports difficult.

There are a number of possibilities of how business can be supported in exports. The biggest problem businesses face is that while we push them towards eCommerce, the export costs are still prohibitive. Malta needs to crack the state-aid issue due to its inherent handicaps.

Having finance and insurance backing from the Maltese Government through an export guarantee scheme gives companies the edge they need to win and fulfil contracts and withstand risk of non-payment in international markets, on an evaluated risk-based approach. This allows companies to access export finance and manage payment risks, besides helping companies win export contracts by offering competitive terms to buyers. An Export Guarantee Scheme can work with banks and other financial institutions, namely insurances, to support exports for any size of company and across all sectors, from capital goods to services and intangibles such as intellectual property.

Proposal 25	Subsidised export costs through tax credits This can be done as a percentage and accessible to qualifying businesses. Local products should be supported as far as possible.
Proposal 26	Support for visibility and marketing to export Businesses describe current schemes as inadequate and ineffective. A review is necessary to understand how such support schemes could improve.
Proposal 27	Strategic countries targeted

A holistic effort should be put in place in order to help as many Maltese businesses as possible in penetrating EU markets.

This would include countries that are of higher risk but offer bigger opportunities. One support measure would be a national export guarantee.

Bureaucracy and regulatory requirements

After a good number of years of bureaucracy not featuring as one of the main concerns for businesses, it is more than clear that time has changed.

Regulatory compliance, especially AML related requirements, in their broader sense, coupled with exceptionally hefty fines for even the simplest non-compliance issues and delays, have never been worse.

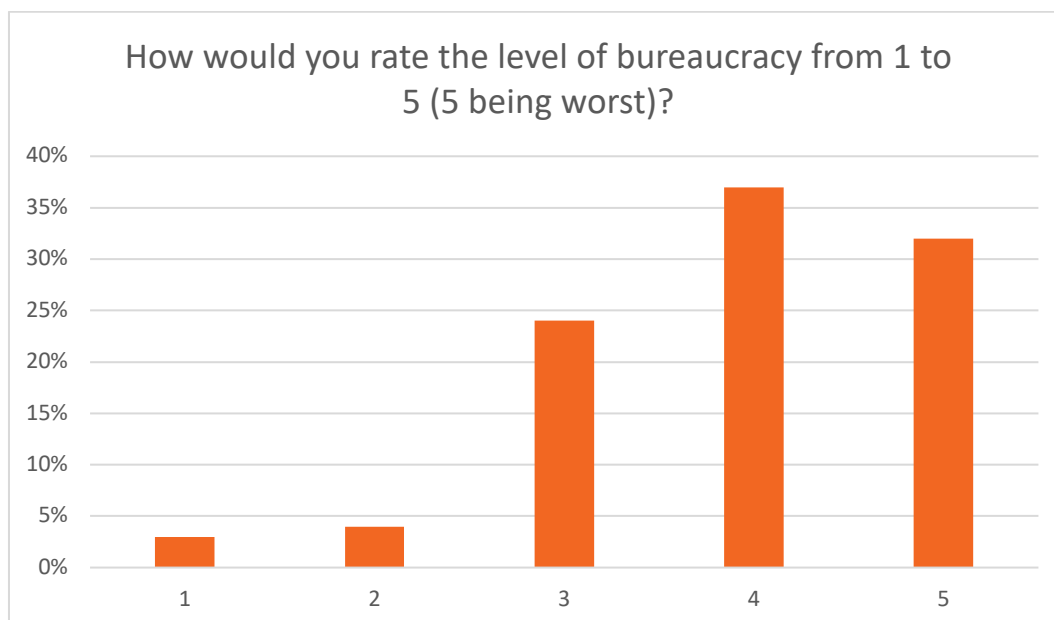


Table 9 – Source: Malta Chamber of SMEs pre-Budget Survey – August 2022

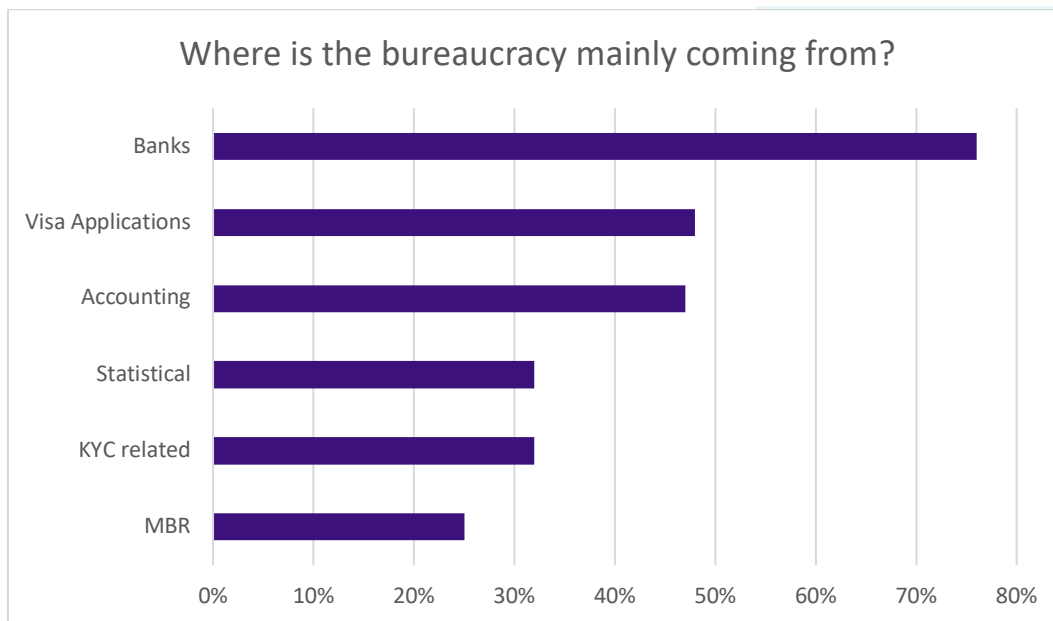


Table 10 – Source: Malta Chamber of SMEs pre-Budget Survey – August 2022

Bureaucracy unfortunately qualifies with other major business concerns such as lack of human resources and inflation. This shows the serious concern businesses have in this regard. Businesses feel that the government and other entities are riding the bureaucratic wave hiding behind AML requirements and overdoing what could be clearly done more efficiently, and in a streamlined process.

The MBR is one entity that stands out and businesses comment that not only has the MBR increased bureaucracy significantly but it has also built a hefty set of exorbitant fines that are unwarranted. Being charged 100s of euros a day for not complying with bureaucratic requirement in time when many businesses depend on accountants to do this work is unjustified.

Enterprises also complain that accountancy requirements and costs have become exaggerated. The strategy must be revisited as it is impinging on businesses' running cost and competitiveness. Owning a company has become too expensive and bureaucratic in Malta. It represents millions in losses for the economy in unproductive expenditure.

Proposal 28	Revisiting MBR fees in order to make them more reasonable and proportionate. MBR should not be a money-making machine.
Proposal 29	Increase accountability for banking decisions Certain banks, especially the dominant ones take decisions against the interest of their users and based only on the profits they will make. Clients should not be left at the mercy of dominant players. A redress system for business clients should be available that would ensure fairness in the procedure.
Proposal 30	Removal of audit requirements on micro businesses with under 500,000 turnover
Proposal 31	Reinstate the Better Regulation Unit for the removal of administrative burdens. The unit would report directly to the Prime Minister.
Proposal 32	Counteract the impact of the greylisting by Malta becoming a centre of excellence for its AML sector. The implementation of a previous budget proposal of a centralised regulatory compliance programme by the SME Chamber is very welcome. This should be done hand-in-hand with the private sector invested in this area of expertise.

Malta's Quality – Quality of life and Tourism

Malta is a country with very limited resources. It's strong points depend very much on how much Malta is cared for. Unfortunately, a lot of what made Malta so attractive as a charming small island in the Mediterranean is challenging nowadays. Business owners report that living in Malta is not what is used to be.

The country's main problem is overdevelopment, which has uglified Malta and taken away too many of the spaces. Lax development regulations and room for abuse have greatly degraded Malta's overall look and also affected village cores and important historical areas. Overdevelopment cannot be spoken of as something of the past. Development is still rampant with construction sites, heavy equipment, noises and dust a daily nuisance. Apart from affecting locals this greatly impacts Malta's attractiveness to tourists.

Traffic has become another main downside of being in Malta. Traffic is now found everywhere and is unavoidable. The sheer amount of vehicles on the road, the frequency of roadworks and massive infrastructural projects happening all at one go and the crazy driving by motorcycle deliveries and scooters have degraded Malta's roads to be closer to those found in much less developed countries. Road accidents and fatalities continue to increase with more erratic driving and obstacles in the streets, making Malta's roads less safe than what they used to be.

Safety concerns are not only related to roads but also to crime and the level of crime in general. There is a perception that crime is on the rise. Many factors could be attributed to this, amongst which the increasing inter-cultural scenario of Malta, increase in poverty rates and marginalisation and also mental health issues. This is problematic since safety was always one of Malta's strong points. This is obviously independent of the increase in corruption and other sophisticated crimes.

- Tourism

Even though the country has fared well in supporting the Tourism sector through the last two years and recovery started, further implementation of a sustainable and competitiveness plan are needed. Malta has mitigated the impact of Covid in the best possible way from a high-level point of view. Malta has successfully retained the absolute majority of its tourist capacity and services, encouraged re-investment during the quieter times and restarted in a timely manner. Malta must however take stock of its package and offer for tourism as a whole, not just relying on individual initiatives. Greater management is needed for a holistic strategy. Recent discussions on Malta's strategy and quest to become a quality tourism destination have led to all stakeholders agreeing on the targets, yet one main pitfall remains. Unless a holistic strategy is put in place that brings quality above everything else, it will be impossible for Malta to achieve these targets.

Malta is a tourism dependent country. The record challenges of market instability, harsh Covid recovery and major inflation are no joke to endure. At the same time that Malta's hands are spread wide open to welcome tourists, our conditions are not reflective of a country that is attractive enough to welcome the level of tourists

that we seek. Prices have sky-rocketed and the quality and attractiveness is not at par. Negative media by foreigners visiting Malta has become much more regular. The bottom-line is that Malta is becoming uncompetitive.

<p>Proposal 33</p>	<p>A quality strategy for Malta</p> <p>A holistic quality strategy that would stop Malta’s uglification first and foremost and work on a strategy to deconstruct it. The following elements should be addressed:</p> <ul style="list-style-type: none"> - Development planning - Traffic issues - Safety and Security <p>A number of activities which would normally only be acceptable as one-off occurrences have become the order of the day and one-off nuisances are making staying in Malta unbearable both for locals and tourists. A holistic strategy that would normalise living in Malta is necessary.</p>
<p>Proposal 34</p>	<p>Development limitations</p> <p>Alternatives to further development should be substantially incentivised. The incentives should be significant enough to cause a shift towards sustainable use of already existing buildings as opposed to new buildings.</p> <p>An analysis on the supply should guide the amount and quality of permits issued. The ultimate aim should be to consolidate and improve on what we already have rather than adding onto the problem.</p>
<p>Proposal 35</p>	<p>Restore Malta’s tourism competitiveness</p> <p>Malta should work on its own scoreboard with competing destinations and work on a strategy to improve its ranking.</p>
<p>Proposal 36</p>	<p>Technology to govern scooters</p> <p>Digital technologies should help local drivers in their respect to others using the roads, walkways and pavements. Other countries successfully and very easily regulating scooters through</p>

a number of requirements placed on the fleet owners that would be enforced through digital means.

Education and Accredited Training

The quality of our human resources has become a concern which is currently being undermined by the bigger worry of human resource shortage. While, you need to have human resources to start talking about them and delving deeper, it is clear that the quality is not there.

Businesses report significant skills mismatches and that employees are not staying long enough in the job in order to acquire some skills and experience before moving on. In addition, work ethic and social skills are basics which have become a rare expectation in recruitment.

While education is not the only solution, it is one of the most effective measures that can target these challenges. Starting off with educators, educators are the role models of our children, they are those that instil discipline outside the home, drive children to do better and guide them and support them through their most impressionable years and beyond. Most educators are unfortunately no role models. Teachers are not attracted by the remuneration package, it is a mix between good conditions and a form of vocation to the largest extent. Teaching the subject is more important than the employee's wholistic development and growth.

In addition, education should be looked into in a wider scope. The higher education sector offers an untapped opportunity to create a stronger niche in Malta for education tourism and making Malta the centre for excellence for Educational Services. In view that Malta should be planning to diversify its economic dependence this is surely a sector that should take priority.

In order for the higher education to flourish the regulatory environment should be facilitated and seen as an important resource that can complement the strategy of the public sector.

Proposal 37	<p>Improving Malta’s compulsory education through:</p> <ul style="list-style-type: none"> - Regular updates of the curriculum - Better remuneration package for educators - Reducing the number of LSAs - Quality CPD for all educators - Incentive driven progression based on assessment - Carry out sec and matsec exams in schools - Support private schools - Make easily accessible research budgets available to the private sector
Proposal 38	<p>Training Schemes:</p> <ul style="list-style-type: none"> - A full financed training scheme based on the training necessities of employers that would offer all the flexibility necessary as long as the training is accredited. - Upgrading the Get Qualified Scheme <ul style="list-style-type: none"> o Increase MQF 5 GET QUALIFIED TAX REBATE TO 100% from current 70% and capping of €5500 from the current €3500. o Increase MQF 6 GET QUALIFIED TAX REBATE TO 85% from current 70% and capping of €13,500 from €12,500 o Make the scheme eligible to have a grant requested instead of a tax credit with pre-financing, for cases such as those not currently in employment.
Proposal 39	<p>Create a new economic pillar through accredited institutions which can make a bigger name for Malta and attract more value added into the country. This should come with further reforms of MFHEA and schemes that specifically support the sector.</p>
Proposal 40	<p>Incentives for employers to create safe and professional team building activities, the aim of this would be to re-ignite the sense of purpose of employees within the business and also to address</p>

mental health and detachment issues – all having an impact on productivity.

Carbon neutral strategy

The Malta Chamber of SMEs and its members are all geared up towards moving towards a greener and cleaner method of operation and supporting the government's drive towards carbon neutrality. A main area of concern is obviously transport. The SME Chamber believes that the government should take a more holistic approach in order to ensure that the funds available as part of the green deal are utilised effectively and reach the broader society, including businesses.

In order to successfully achieve the desired results, the SME Chamber believes that everyone should pull the same rope and everyone should be incentivised to make the shift. The SME Chamber regularly raised the issue, that current grants are consumer centric and do not address the business needs. It is a reality that a significant space for improvement lies within the public sector and the only way to get there is by having the necessary incentives in place.

The Malta Chamber of SMEs believes in a wider and more holistic approach. Members of the SME Chamber have all agreed that any measure introduced needs to be backed with both the internal capacity of the business and also the general infrastructure of the country.

Proposal 41	<p>Electric Vehicles:</p> <ul style="list-style-type: none">- Grants to purchase EVs - A dedicated scheme, separate from the one currently offered, aimed towards commercial type vehicles such as N1, N2 and N3 type vehicles. More aggressive than the ones in place (in proportion with the cost to purchase larger vehicles).- to create opportunities for companies to invest in multiple charging stations in several spots around the island where electricity is generated, stored and used for
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	<p>EV charging. The system would then allow for excess production to be placed on the grid. This would cater for individuals who live in apartments, thus no access for charging facilities at home, and those who work in areas like Valletta and use the park and ride in blata l-bajda. These systems use the electricity at source, i.e. on the same spot where it is created, thus relieving the grid from excessive current. Failure to deliver such systems will result in increased power cuts year on year (as we are already witnessing) due to increase in charging of EV through the grid.</p> <ul style="list-style-type: none"> - Incentives to install charging points within their business. Business unlike private households, will require fast chargers and multiple charging points (for those with large fleets).
Proposal 42	<p>Replacement of vehicles:</p> <ul style="list-style-type: none"> - Greener Special Type vehicles (heavy vehicles) Given that the cost to upgrade certain vehicles is still very costly and technology is still limited, schemes should be aimed to offer an interim, half-way solution to ensure that the shift to lower emitting engines. This should include the possibility to upgrade fleets to the latest Euro Engine (similar to the 'Construction Industry Scheme', Grants for retrofitting and more aggressive grants for the purchase of electric vehicles where possible and viable. - Businesses that do not have the possibility to purchase an EV should not be discriminated when accessing schemes and incentives. In this regard, the Micro Invest Scheme aid intensity should remain fixed a 45% (currently at 35%) for these types of vehicles (given that they are not available on the market) - The scrappage scheme currently in place for passenger private vehicles, should be extended to vehicles which are not for private use. Vehicle types such as N2 and N3 vehicles should also be included in order to further encourage businesses to make use of this scheme. The SME Chamber is suggesting that new leased vehicles will also be able to qualify under this measure (should the criteria requested be met).

Renewable Energy

If there is one thing that this energy crisis has taught us, it is that we need to buy as much energy as possible from local producers. We need to facilitate the installation of renewable energy, and we need to make it attractive for investors to look into such projects.

The Malta Chamber of SMEs has been advocating for around 15 years on the concept of directing energy expenditure of the country to Maltese energy producers. This gives: Security of supply stable prices for 20 or more years and puts money that traditionally went into foreign oil and gas supplies into the local economy. The Malta Chamber of SMEs has recently presented a set of proposals to the Ministry for Energy, Enterprise and Environment which mainly aim to incentivise businesses to invest in renewable energy/ include:

Proposal 43	<p>Adequate infrastructure</p> <p>One of the main issues when applying for large Renewable Energy Project is the (or the lack of) Grid Connection. More often than not, a project is not feasible because the grid connection costs are too high. In such instances, due to the lack of infrastructure in the grid, members are being asked to fork out tens of thousands of euros to make up for this lack of infrastructure.</p> <p>The SME Chamber is proposing a pro-rata cost based on KW Allocation. In this regard, as an example, a fixed fee of Euro 10,000 should be set for every 100KW. This cost would be fixed, proportionate, and leaves no room for interpretation. This proposal derives from the fact that there is no uniformity in how costs derive and in general, such costs depend solely</p>
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	<p>on luck (depending if Enemalta have a strong grid connection or not). The end result is a low appetite for projects and thus the unmet targets.</p> <p>At a more strategic level, the Maltese Government should consider the role of commercial and utility scale energy storage for grid stability and energy security.</p> <p>The Current domestic battery scheme is a resounding success. A similar scheme is being recommended to incentivise businesses to invest in energy storage, including in microgrids. Such schemes should cater for all levels, from energy storage for small businesses like kiosks or retail outlets, to larger industrial installations.</p> <p>The concept of Malta Energy Ltd., created by the Government in collaboration with the Malta Chamber of SMEs, has shown that it is possible to utilise government spaces (govt is the biggest owner of spaces suitable for pv) for clean energy production at zero cost for the government and zero environmental and visual impact.</p> <p>These projects have created green jobs, business for local companies, added to the security of supply and stable cost of energy for 20 years.</p> <p>It is therefore recommended that new projects are launched through this collaboration and implemented with immediate effect to alleviate the pressure of high energy costs.</p>
<p>Proposal 44</p>	<p>One-Stop-Shop for Large projects</p> <p>Currently anyone willing to invest in a RES system has to deal with the following varies entities, particularly with:</p> <ul style="list-style-type: none"> • Planning Authority; • ERA (where applicable); • REWS (regarding submission of bids, subsequent authorization to construct a RES plant, ministry for signature of FIT contract); • Enemalta (for pre- and post-bid grid connection study, allocation of grid capacity, etc.);

	<ul style="list-style-type: none"> • ARMS; • Infrastructure Malta (Trench Works); and • Transport Malta (Road Closures) <p>The SME Chamber recommends a one stop shop for such large projects, whereby applicants can deal with one entity handling all the process. This would make the process more efficient and more streamlined. The one-stop shop can be easily setup via Business 1st.</p>
Proposal 45	<p>Dedicated schemes emergent RE technologies</p> <p>Unfortunately, none of the current RE schemes cater for the promotion of emergent technologies, especially building-integrated photovoltaics (BIPV) and pavement-integrated photovoltaics (PIPV).</p> <p>These technologies have a huge prospective application potential in Malta; however, they also have very distinct characteristics and face particular barriers which are presently not being addressed by any of the RES schemes.</p> <p>As an example, current FIT schemes do not provide any incentive whatsoever for anyone to invest in a solar road or to integrate PV modules within the building fabric. The benefits of these emergent technologies are numerous; however, for these benefits to be realized and implemented, there needs to be tailor-made schemes that would help these technologies to overcome their specific barriers.</p>

Proposal 46

Encouraging Residential Green Investment

Similar to grants available for commercial properties for **the retrofitting of energy efficient solutions** (such as; intelligent lighting, heating and cooling solutions etc), it is recommended that similar grants are introduced for residential properties in order to ensure sustainability and reduction in energy consumption. A grant that is open and caters for all technologies would be ideal so that applicants wouldn't need to file several different applications. The idea of a one stop shop could also apply in this case.

Although in principle members are in favour of grants made available for **heat pumps**, the subsidy should be altered to reflect the actual cost of these products. In this regard, rather than a lump sum amount, the grant should cover a percentage of the product. The SME Chamber recommends a 50% subsidy.

Members noted that consumers who would have already bought a **PV system** a number of years ago and would like to purchase a battery are encountering certain compatibility issues (with older inverter models), which although the battery would be covered under a separate grant, it would not be feasible for them to upgrade the system, since the controller required (component that links the battery with the older inverter) would not be eligible under the grant. In such cases the cost of these controllers can be up to 70% of the cost of a normal inverter.

It is therefore being recommended, that in such cases the controller required, would also be eligible under a grant. In this case, the older inverter would not be thrown away but rather kept in operation, to compliment the whole system.

Incentives for Gozo

In the last years before COVID 19 hit, the Gozitan economy similar to the Maltese economy in general was on a growth trend. Like every corner in the World Covid 19 impacted the Gozitan economy negatively. The business environment in Gozo came to a standstill, save for the domestic tourism. A number of businesses had to close down, or partially close, tourism was non-existing.

The government acted swiftly and the positive measures that were put in place saved the Gozitan economy from a disaster. These measures created liquidity that the businesses badly needed to support the wages of workers and hence the majority of the local businesses active. The government support during covid period was remarkable however the pandemic left a long-lasting impact on their business.

It is a fact that one of the main handicaps of an island is its insularity. Gozo feels it twice because it is also separated from the mainland. The introduction of the fast ferry service in 2021 was a breath of fresh air and it created a feel good factor which is so important for the business environment in general, however more work needs to be done to make this service feasible and reliable. Currently the number of trips available on schedule is very low, even in Summer, and this lessens the reliability factor to the users. As a Chamber of SMEs we had the opportunity to communicate our concern on this level. The accessibility to Gozo today strictly depends on the sea, so one cannot see this operation strictly from a return-on-investment point of view. Its service contributes to a multiplier effect of the Gozitan economy in general.

- Employment In Gozo

It is no secret that the government is by far the major employer in Gozo. Quoting from the latest available statistics, in Gozo full time employment in the public sector stands at 32% whilst in Malta it is only 21%. These percentages do not include workers employed with the community work schemes, who also indirectly work for the public sector. In April 22 the workers being employed with this scheme stood at 502 whilst in Malta it was 651.

The Gozitan labour market is a huge issue for all the Gozitan businesses. Companies and even smaller businesses (self-employed employing one worker) are finding it next to impossible to recruit, with the only solution is to try to employ third country nationals. Employing these workers comes along with various challenges like the issue of Visas, lodging for these workers, culture differences, language barriers and more. The problem our organization sees here is that the government is competing directly with the businesses for workers or even worse, head hunting employees that work with the private sector to move to the public sector. We have businesses, that are seriously suffering because of this problem

and very often they end up refusing opportunities that come along due to lack of human resources.

This situation needs to be addressed immediately. The government needs to control the workers being channeled through these schemes or as a minimum do not employ workers employed with the private sector under these schemes and this for more than one reason. First the businesses are suffering from shortage of workers with the result of not honoring their level of service and not meeting customer's expectations. Secondly, more often than not, these workers are all trained in their respective trades or processes, they are adding value to the Gozitan economy and end up as quasi dead wood working in such schemes performing close to nothing.

- Sustainable development

In the last months Gozo has been experiencing a lot of criticism on the way the environment is being handled. This goes to show that the situation can no longer be neglected or overlooked. Blocks of apartments have been mushrooming everywhere, be it close to squares and other rural locations and this is fast destroying the island's urban fabric.

The property market is a huge contributor to Gozo's economy, around 10% of GDP - more than Malta. So as an industry it is important but the only solution lies in sustainable development as well as balancing out development with the preservation of the island's character. Looking forward Gozo needs a clear planning policy dictating the long-term vision of the island.

The Chamber of SMEs is concerned at how development is happening in Gozo . The present rate of development is ruining the village cores of the island. There are no restrictions in place when it comes to permits for apartments; proposed and approved developments do not take into consideration the needs and concerns of the local communities. The current policies are outdated since they fail to cater for today's needs.

The Government must work on a vision for Gozo that respects the views of the people of Gozo. Gozo needs urgently a sustainable development plan that truly protects the environment. The vision has to respect the urban texture and traditional character of the villages and towns, preserve the green belts and much better quality of development .

It is of utmost importance to distinguish between the needs of the island and the wants of the people. There must be a balance between the two, which is very important to respect before it is too late.

- Digitalisation:

The economy of Gozo is heavily dependent on the tourism sector. Tourism contributes to over 50% of the Gozitan economy. Tourism is an important sector and as a Chamber we are in favour in the continuous of this sector, however we are also aware with the over reliance of the Gozitan economy on this sector.

The economy needs to diversify and an opportunity is tapping the digitization sector. The infrastructure to invest in both HR and operations is there. Gozo today has a functional second fibre optic link and a state of the art digital hub that offers over 3000 square meters of rentable . The government and Malta Enterprise needs to work on a startegy to increase the number of tenants for this hub. This will create an opportunity to the Gozitan economy to tap into this sector and could be the first step in having a new important sector contributing to the island's economy.

Create a package to companies operating in the Digitisation sector to open shop in Gozo.

The rates that are currently being offered to rent space at the digital hub are way above the average going rate for Gozo. These rates need ti be re-visited and launch more attractive packages to prospective tenants.

- Transport and Connectivity:

Transport and connectivity between the islands is the life line of Gozo. The introduction of the fast ferry service was a step in the right direction. Looking forward this service has ample room for growth such as tapping in the cruise liner business. The cruise line business was a great success in Malta and hopefully when we are back on track after this pandemic this business will again start to be a contributor in the tourism sector. The fast ferry service can be the right channel for these tourists who choose to come for a one day visit to Gozo.

The permanent link is also another project that as a chamber we are lobbying in favour.

Proposal 47	Sustainable Development: <ul style="list-style-type: none">- No more buildings in ODZ areas, accept ones directly related to agriculture and controlled by some form of licence which is renewed yearly.
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	<ul style="list-style-type: none"> - A study to make better use of quarries should be undertaken. A number of unused ones should be turned into gardens similar to the “ Villa Rundle” in Victoria. - In Gozo there is a huge supply of apartments and a shortage of houses. Demand for houses is much higher than the supply. The drive by developers and house owners is to convert these houses into apartment blocks. exactly what Gozo does not need. A new reduced property tax scheme needs to be created to target houses that are not bought for re development but to be used as houses to be lived in.
Proposal 48	<p>Digitalisation opportunities:</p> <ul style="list-style-type: none"> - Create a package to companies operating in the Digitisation sector to open shop in Gozo. - The rates that are currently being offered to rent space at the digital hub are way above the average going rate for Gozo. These rates need to be re-visited and launch more attractive packages to prospective tenants.
Proposal 49	<p>Transport and Connectivity:</p> <ul style="list-style-type: none"> - Re-start the air link connection with Malta. - Change completely the public service transport vehicles to smaller and possibly electric. - Reduction in the cost of ferry tickets for Maltese residents crossing to Gozo with electric vehicles. - Installation of electric chargers in all villages across the island. This could be extended to certain business premises such as supermarkets. so whilst the customer is purchasing the car is charging.
Proposal 50	<p>Infrastructure:</p> <ul style="list-style-type: none"> - Sustainable multi story car park in Victoria. - Start a process for the extension of the Mgarr Harbour.

- A new hospital for the Island to compliment the Queen Mary University