THE MALTA CHAMBER

Proposals: 2026-2031 Legislature

The Malta Chamber of Commerce,
Enterprise & Industry

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Foreword

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The announcement of a General Election on May 30th marks another defining moment for our nation. As the democratic process unfolds, The Malta Chamber of Commerce, Enterprise and Industry remains steadfast in its mission – to ensure that the economic engine of our country is not merely idling in expectation, but that it is primed and geared towards a sustainable well-being economy that also addresses the challenges of the next decade.

In recent years, Malta has shown a strong ability to remain resilient. Our economy has weathered unprecedented global volatility. We have seen growth, record employment levels, and a business community that has shown an incredible ability to pivot and persevere. We have shown our ability to absorb shocks and bounce back.

However, resilience alone is no longer sufficient. **To secure our future, we must move beyond being resilient – we must be ready.** Being ready means more than just surviving the next storm. It means having the foresight and the courage to address any systemic bottlenecks that would hinder our long-term competitiveness. It means transitioning from a model of volume-driven growth to one defined by value and quality of life.

While celebrating the successes that the country has achieved, one must also be honest about the hurdles ahead. To be ready we must immediately gear up on:

- Productivity
- Competitiveness
- Infrastructure
- Connectivity
- Logistics
- Utilities and Renewables
- Technology
- Human Resources
- Spatial Planning
- Governance
- Institutional Agility
- Quality
- Excellence

The proposals we present here are more than a wish list; they are a strategic roadmap. We urge the main political parties to integrate these recommendations into their manifestos with a sense of urgency.

Malta has proven it is resilient. Now, it is time to plan and prove that we are ready – ready to innovate, ready to lead, and ready to build a nation where economic success and societal well-being go hand in hand.

Introduction

Over the past five years, global instability – from the war in Europe to escalating tensions in the Middle East, including the conflict involving Iran – has reshaped energy markets, trade routes and supply chains. For a small, open island economy like Malta, these geopolitical shocks translate directly into an existential challenge, not free from higher costs, disrupted logistics and heightened uncertainty for businesses and households alike.

At the same time, domestic challenges have become increasingly visible. Rapid population growth has created demographic pressures that strain infrastructure, housing, healthcare, and education – all of which have an impact on our productivity and competitiveness. Governance weaknesses persist, with delayed reforms, insufficient enforcement and public procurement that too often lacks transparency and efficiency.

For the past years, economic growth has relied heavily on short-term fixes and excessive dependence on foreign labour, leaving Malta with low productivity and persistent skills shortages. Infrastructure struggles under pressure, urban planning lacks coherence and long-term vision, and key sectors risk drifting toward lower-value models.

These realities demonstrate that many foundations underpinning Malta's economic model have reached their limits. Concepts built around volume-driven growth require fundamental rethinking. The Malta Chamber's Proposals for the 2026–2031 Legislature seek to address these new realities aimed at building a Malta that is fair, resilient, competitive and future-ready.

Malta's Business Dialogue (2026 Q1)[1] published by the Central Bank reveals a Maltese economy characterised by immediate resilience and a surge in long-term optimism, despite a temporary "cooling" of current conditions. This should encourage legislators to take the quantum leap required to ensure that we are 'Ready'.

For Malta to remain competitive and resilient, the country must pivot from volume-driven expansion to value-based growth built on productivity, innovation and efficiency. The skills gap needs to be reduced before it creates systemic unemployment. Policy must also prioritise simplification, effective enforcement and transparent governance, creating a level playing field where ethical business and citizens can thrive.

This document draws on responses to a questionnaire distributed among The Malta Chamber's members, through which they were asked to rank their key priorities. The Malta Chamber also acknowledges the support of EMCS Advisory in compiling the 'Economic Insights' section.

[1] https://www.centralbankmalta.org/cbm-business-dialogue

ECONOMIC INSIGHTS

Economic Insights

Malta's economic trajectory over the past decade has been marked by sustained, and at times exceptional, economic growth. On most headline macroeconomic indicators, the country has consistently outperformed its European peers, recording among the highest growth rates in the European Union over a prolonged period. This expansion has been underpinned by strong domestic demand, buoyant services exports, and a steady inflow of foreign investment.

In aggregate terms, the outcome has been rising GDP which in real terms over the past decade grew from €11.34 billion in 2015 to €20.40 billion in 2025. This amounts to cumulative real growth of 79.9%, equivalent to an average compounded annual growth rate of 6.05%.

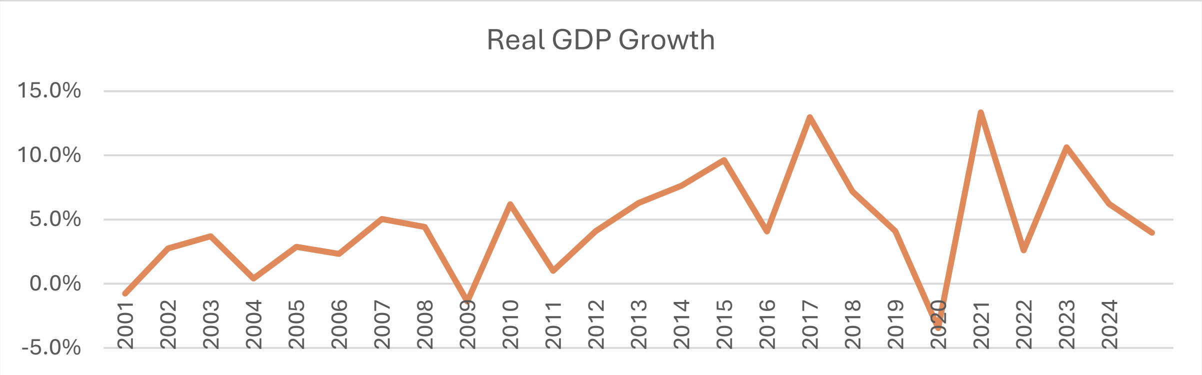


Figure 1

Between 2015 and 2025, Gross Value Added (GVA) grew by 81.9%, closely tracking the rise in GDP over the same period. Of this total increase, 68.9% was attributable to an expanding workforce, 9.9% resulted from economic development through a shift towards higher value-added sectors, while only 3.1% was driven by improvements in productivity.

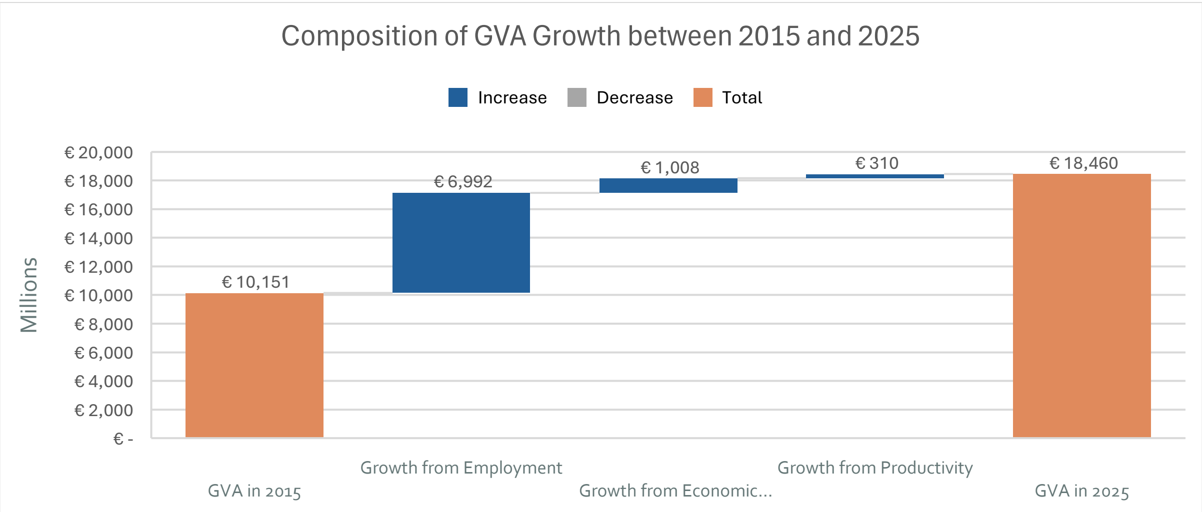


Figure 2

Taken together, these figures show that while Malta's economy has expanded strongly over the past decade, the bulk of that expansion has been driven by labour force growth rather than efficiency gains. On the surface, this has produced a robust macroeconomic picture. Yet headline success does not automatically translate into equally strong gains in living standards, affordability, or welfare at the level of individual residents. In a small, densely populated, and resource-constrained economy such as Malta, an approach that relies primarily on a continuously expanding workforce becomes progressively harder to sustain efficiently over time.

The consequences of this labour-intensive growth model are now becoming unmistakable. Pressures on infrastructure, congestion, and declining quality-of-life are no longer peripheral concerns; they are central economic constraints. Nowhere is this more evident than in transport. In 2025, traffic congestion imposed an estimated cost of €770 million on the Maltese economy[2], equivalent to 3.4% of GDP. This figure captures lost productivity, higher operating costs for firms, and the misallocation of time and resources. Beyond the immediate economic burden, congestion, amongst other things, also undermines Malta's international competitiveness as it erodes Malta's attractiveness as a place to live, work, and invest.

Transport congestion is the most visible manifestation of a broader pattern of stress. Housing affordability, pressure on public services, and wider environmental stress increasingly suggest that the current trajectory is generating diminishing returns. Rising rents and property prices are not merely social concerns – they affect wage demands, labour retention, and Malta's ability to attract and sustain the skills base required for higher-value activity. In a country of Malta's scale, the continued addition of people, vehicles, and activity into a constrained physical space may raise output in the short run, but beyond a certain point it also reduces efficiency, weakens quality of life, and erodes competitiveness. These pressures are not only reducing current economic efficiency; they also imply rising demands on public expenditure, making the quality of expansion increasingly relevant to fiscal sustainability.

This becomes even clearer when Malta's public finances are examined more closely, as current fiscal metrics are flattered by the same rapid output expansion that masks deeper structural weaknesses. In 2025, the General Government sector recorded a deficit of €545.3 million, equivalent to 2.2% of GDP, while public debt increased by €776.0 million to €11.38 billion, or 46.4% of GDP[3]. At face value, these figures point to a broadly manageable fiscal position, comfortably within the Maastricht reference threshold of 60%.

[2] Transport Master Plan 2030 (Page 124) - https://www.transport.gov.mt/strategies/strategies-policies-actions/national-transport-strategy-and-transport-master-plan-1343

[3] NSO, Structure of General Government Debt: 2025; NR 078/2026 - Release Date: 06 May 2026

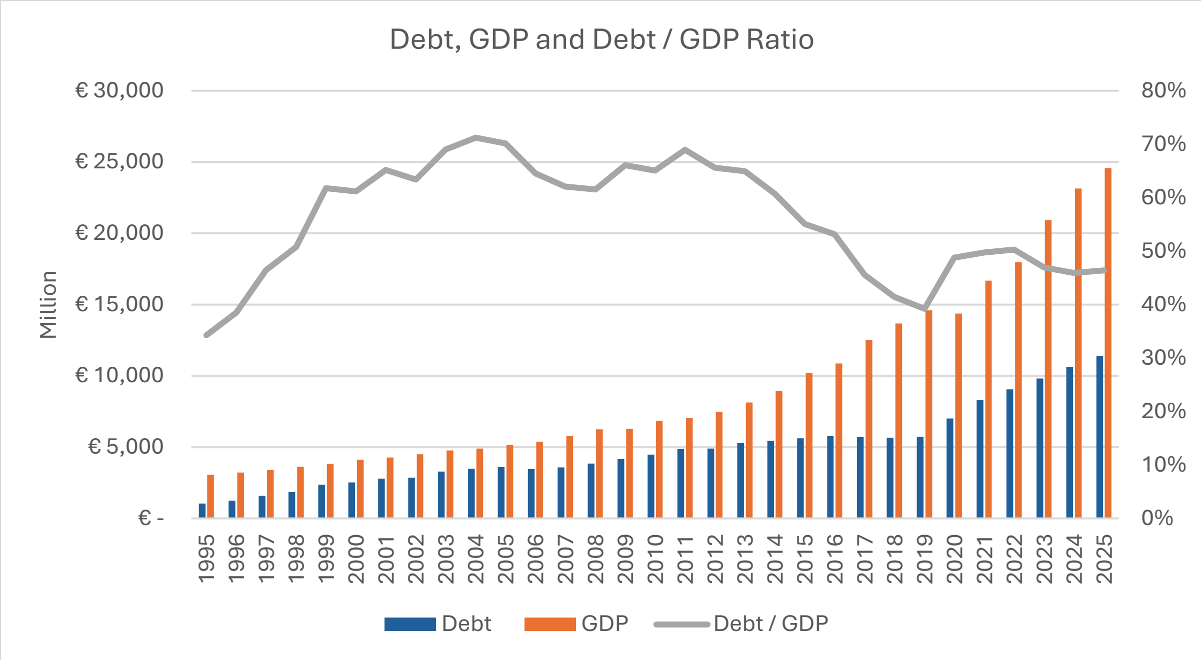


Figure 3

However, there are, genuine strengths in Malta's fiscal profile – the debt-to-GDP ratio remains below that of many European peers, the effective interest rate on government debt is relatively low *(Figure 4)*, and approximately 80% of general government debt is held domestically by Maltese households and businesses, ensuring that a substantial share of interest payments is recycled within the local economy rather than leaking abroad. However, this apparent resilience is heavily contingent on continued strong growth, raising questions about the durability of the fiscal position should the underlying drivers of output expansion weaken.

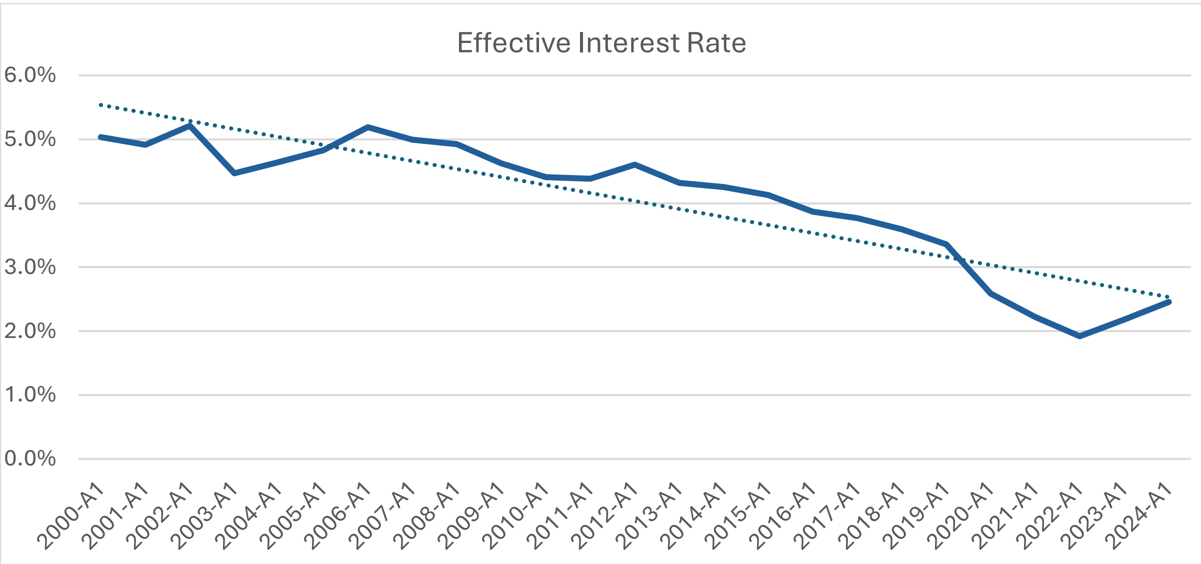


Figure 4

Yet these headline strengths should not obscure two deeper structural concerns. The first relates to the composition of the fiscal deficit. A significant portion of the deficit is driven by recurrent expenditure rather than capital investment[4] *(Figure 5)*. This distinction is fundamental. Capital spending can enhance productive capacity through improvement in infrastructure, skills (although these can also be boosted with recurrent expenditure), and innovation. Recurrent spending does not. Persistent deficit financing to sustain recurrent outlays raises questions about both long-term fiscal sustainability and the efficiency of public resource allocation.

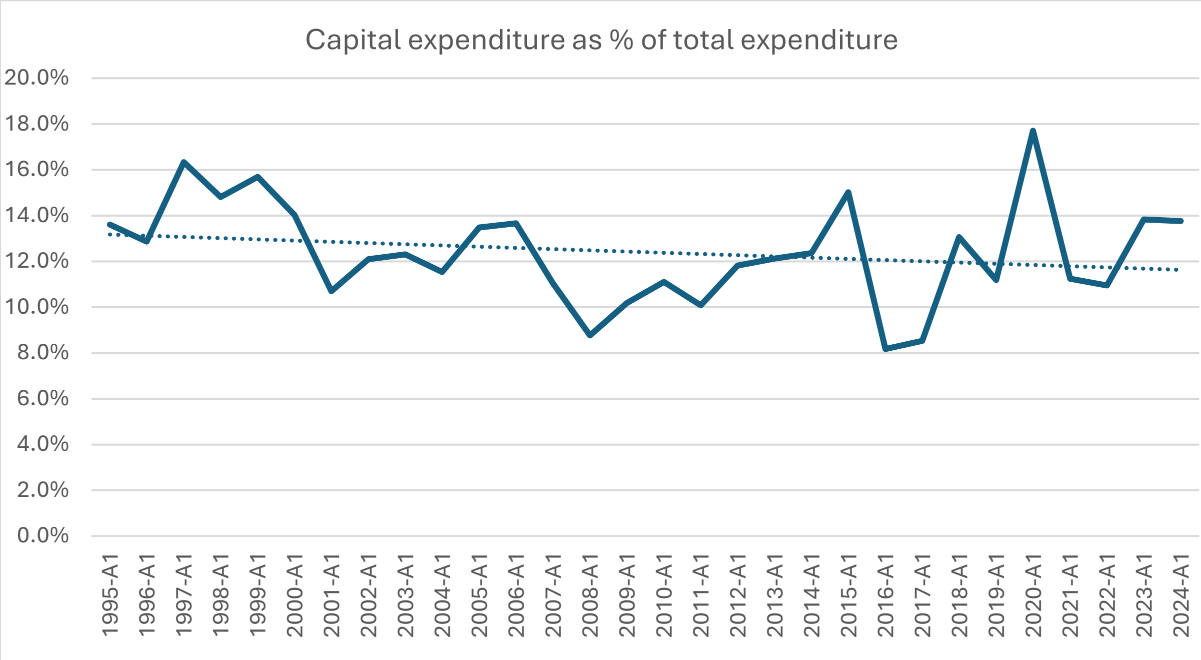


Figure 5

The second concern relates to the dynamics underpinning the debt-to-GDP ratio itself. The apparent stabilisation, or decline, of this ratio is driven primarily by rapid GDP growth, not by a reduction in the absolute level of debt. In effect, the denominator is expanding faster than the numerator. While this can create the impression of fiscal consolidation, it is a fragile one. The sustainability of this dynamic depends critically on the nature of growth. Productivity-driven growth strengthens the economy's capacity to service debt. Labour-driven growth, by contrast, leaves the underlying fiscal position exposed.

In Malta's case, this vulnerability is particularly acute. The existing model, heavily reliant on population growth, is already straining infrastructure and public services, as evidenced by congestion costs. The improvement in debt metrics must therefore be interpreted with caution. Without a decisive shift towards productivity-led growth, the current trajectory cannot be assumed to be sustainable. Ultimately, a more productive economy generates a broader, stronger, and more resilient fiscal base. An economy that depends mainly on ever greater labour force expansion and consumption growth does not strengthen public finances in the same durable way.

Productivity therefore emerges not only as the key determinant of Malta's future economic performance, but also as the foundation of a more durable fiscal and economic model. The shift

[4] NSO Statistical data base: Government Consolidated Fund Annual (Last updated: March 30, 2026)

towards a more efficient growth path is no longer optional – it is imperative. Achieving this requires addressing the issues that are actively constraining efficiency and limiting value creation.

The need for stronger efficiency gains is not only a matter of public investment and infrastructure – it also depends on whether the private sector is operating within a framework that supports reinvestment, scaling, and innovation.

In this regard, another critical dimension concerns the business environment, particularly the role of taxation in shaping investment and productivity outcomes. Evidence indicates that foreign-controlled enterprises in Malta significantly outperform domestically controlled firms in productivity, profitability, and investment intensity. These firms benefit from a tax framework (6/7th refund) that makes it easier for them to reinvest a larger share of profits. On the other hand, purely Maltese owned businesses have to pay 35% tax which is the highest in Europe.

Figure 6

This creates a structural asymmetry within the economy because domestically owned firms have less funds to reinvest, scale, and move up the value chain. Over time, this constrains productivity growth and entrenches a dual-speed economy. A more balanced and enabling tax environment has the potential to unlock domestic investment, strengthen indigenous enterprises, and broaden the economy's productive base.

Yet investment incentives alone will not be enough if firms continue to operate in a labour market that is increasingly tight and mismatched. Even where businesses have the capacity to expand, their ability to do so productively depends on access to the right skills at a sustainable cost.

By the end of 2025, Malta recorded 9,544 vacancies[5] alongside just 1,236 registered unemployed individuals[6], implying an economy operating at or near full employment. This suggests that the scope for further labour-driven expansion is becoming increasingly constrained. More importantly, the challenge is no longer simply the availability of workers, but the growing mismatch between the skills available and those required by businesses. In such conditions, upward wage pressure can intensify even where productivity gains remain limited, creating risks for competitiveness if labour costs rise faster than output per worker.

In these conditions, employers are often forced to recruit from a shallow pool of candidates, even where skills are misaligned with job requirements, leading to weaker firm-level productivity and a suboptimal use of human capital. The implication is clear – Malta has reached the outer limits of labour-driven expansion and must now focus on extracting more value from its existing workforce through better skills formation, stronger job matching, and greater efficiency.

Improving productivity therefore demands a coordinated, multi-dimensional approach – targeted investment in skills and education, infrastructure upgrades to eliminate inefficiencies, and a business environment that actively rewards investment and innovation. It also requires stronger investment intensity in the assets that raise long-term productive capacity, including digitalisation, process improvement, management capability, and innovation. These elements are mutually reinforcing – progress in one amplifies gains in others and helps shift economic activity towards higher-value and more resilient forms of growth.

The domestic constraints are becoming more pressing just as the external environment is turning less supportive. Malta has long benefited from EU funding to support infrastructure, skills, and development. As Malta converges towards higher GDP levels, surpassing EU average and preliminary allocation indications under the next Multiannual Financial Framework (relative to the current size of the Maltese economy), is likely to decline under EU Cohesion policy, while competition for other EU funding streams will intensify.

[5] NSO: Job Vacancy Survey: Q4/2025; NR 045/2026 - Release Date: 16 March 2026

[6] NSO: Registered Unemployment: November-December 2025; NR 015/2026 - Release Date: 29 January 2026

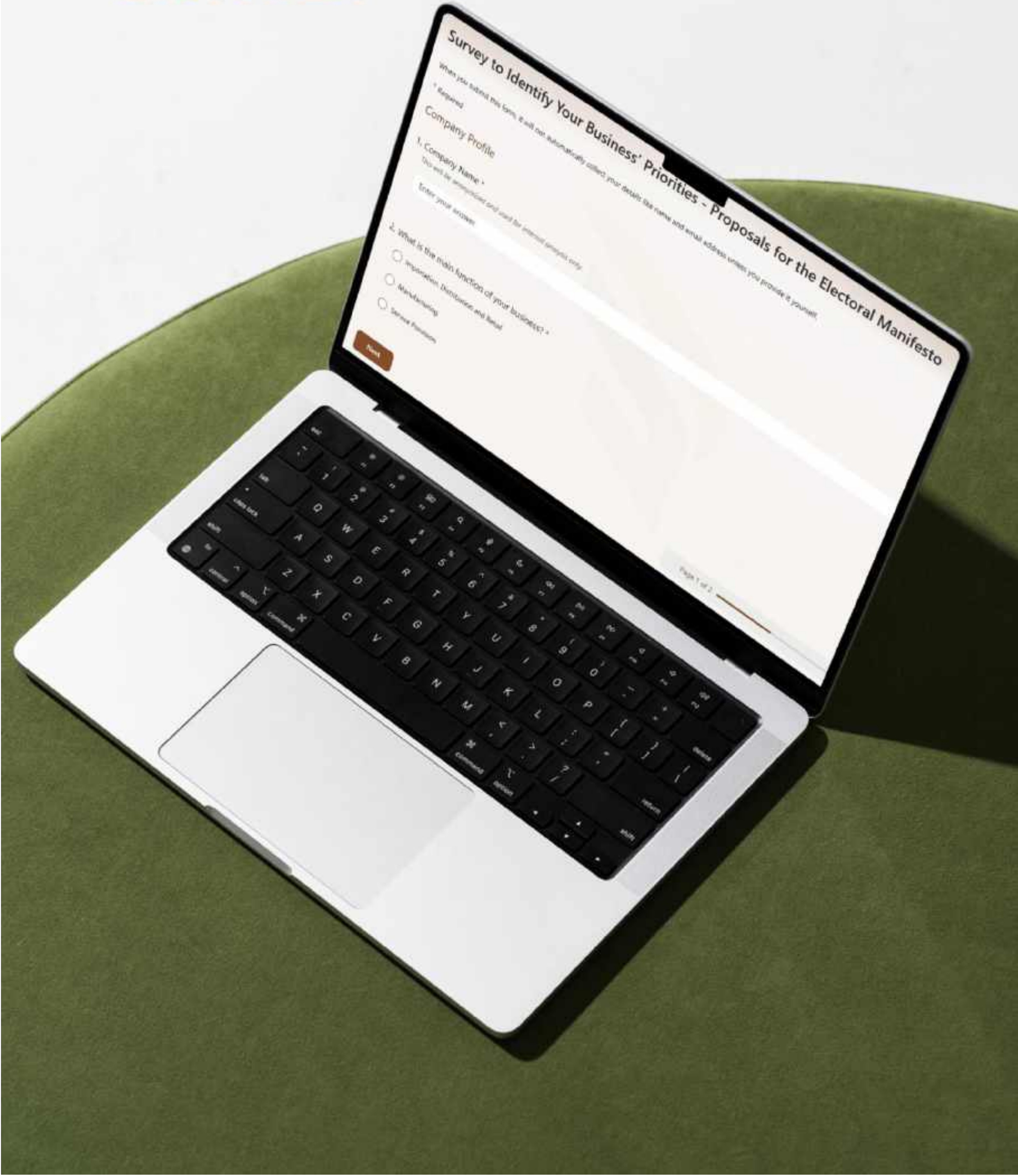
At the same time, co-financing rates are set to fall, with the EU contribution expected to decrease from 60% to 40%. Maintaining investment levels will therefore require a significantly larger domestic fiscal commitment. In the presence of persistent deficits and rising debt, this adds a further layer of pressure to public finances. This also means that the need to shift recurrent expenditure to capital expenditure is now higher than ever.

These external pressures reinforce the message already emerging from domestic bottlenecks. Malta can no longer rely on scale, labour expansion, or external support to sustain its current trajectory. Long-term prosperity will depend increasingly on how effectively the economy converts limited space, labour, and public resources into higher value added.

Taken together, these domestic and external pressures leave little room for complacency.

The analysis above leads to a clear conclusion: Malta's future economic performance will be determined less by how fast it grows, and more by how efficiently it functions. The constraints now emerging most visibly in road congestion, labour market tightness, and the widening gap between output growth and productivity are not cyclical frictions, but structural signals that the existing growth model has reached its effective limits. Addressing these challenges requires a targeted reorientation of policy priorities away from further expansion in scale or quick wins, and towards measures that directly raise efficiency, competitiveness, and value creation.

MEMBERSHIP SURVEY



Membership Survey

On 27 April 2026, immediately following the announcement of the General Election date, The Malta Chamber initiated its internal process to develop the policy proposals set out in this document. A short survey was circulated among members to identify, rank and give views on their business priorities.

The Malta Chamber's members are classified under 3 Economic Groups:

- **Importers, Distributors, Retailers Economic Group (IDREG),**
- **Manufacturers Economic Group (MEG),**
- **Services Economic Group (SPEG).**

Members were asked to rank the below list of challenges, based on their importance to their business:

- Barriers to and Challenges of Digital Adoption, including AI
- Energy Supply Security and Energy Cost
- Increasing Productivity
- Interdepartmental Coordination within Government
- International Connectivity & Supply Chain Resilience
- Market Distortions and Unfair Competition due to (i) improper enforcement, (ii) public procurement inefficiency and low value of money on products/services procured, (iii) public sector competing with private sector
- Reducing the Corporate Tax Rate
- Road Congestion and Ease of Mobility
- Spatial Planning, Aesthetics, Waste Management and Air/Water/Noise Pollution Management
- Timely Access to Required Human Resources with the Required Competences

'Timely Access to Required Human Resources with the Required Competences' featured as one of the top 3 challenges when taking the weighted average for all Economic Groups collectively as well as when taken separately for each Economic Group.

'Increasing Productivity' and **'Reducing the Corporate Tax Rate'** featured in the top 5 challenges when taking the weighted average for all Economic Groups collectively as well as when taken separately for each Economic Group.

The following graphs give a more detailed breakdown.

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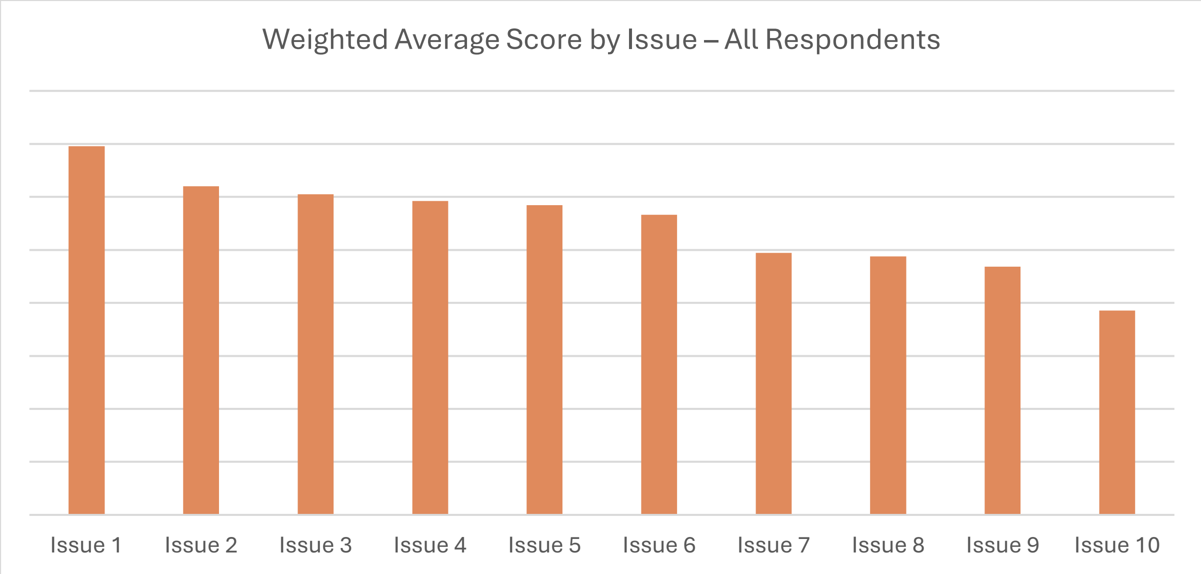

Figure 7

Issue 1: Timely Access to Required Human Resources with the Required Competences

Issue 2: Market Distortions and Unfair Competition

Issue 3: Increasing Productivity

Issue 4: Reducing the Corporate Tax Rate

Issue 5: Road Congestion and Ease of Mobility

Issue 6: Energy Supply Security and Energy Cost

Issue 7: International Connectivity & Supply Chain Resilience

Issue 8: Interdepartmental Coordination within Government

Issue 9: Barriers to and Challenges of Digital Adoption, including AI

Issue 10: Spatial Planning, Aesthetics, Waste Management & Air/Water/Noise Pollution

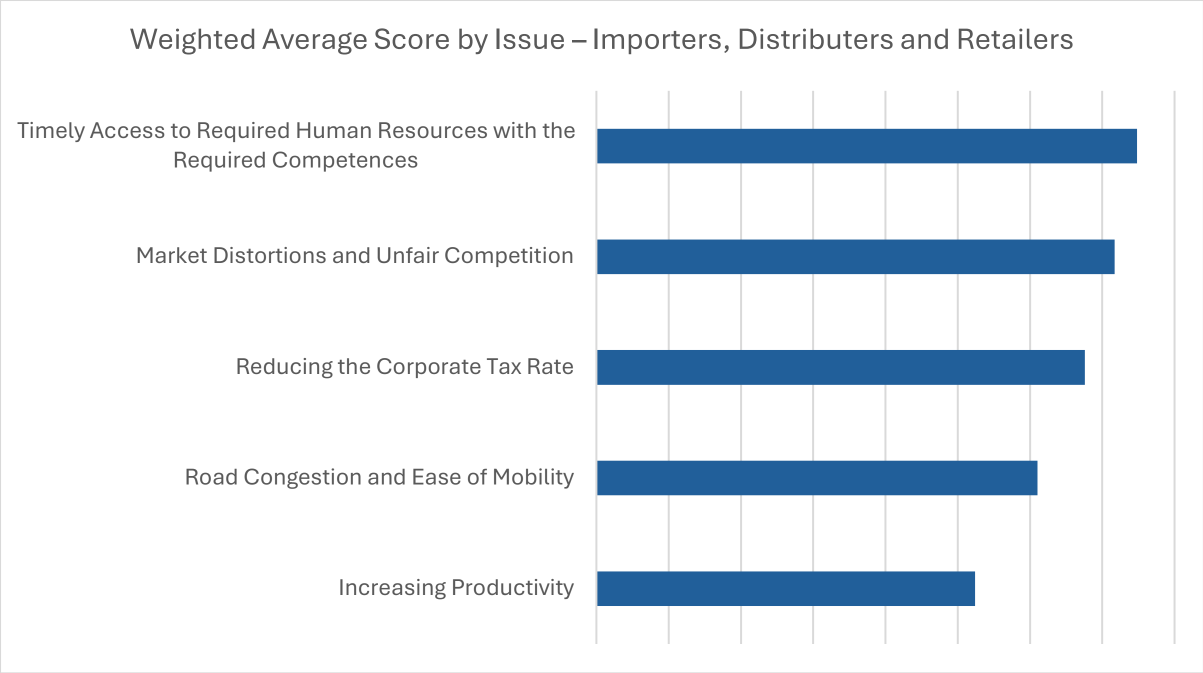

Figure 8

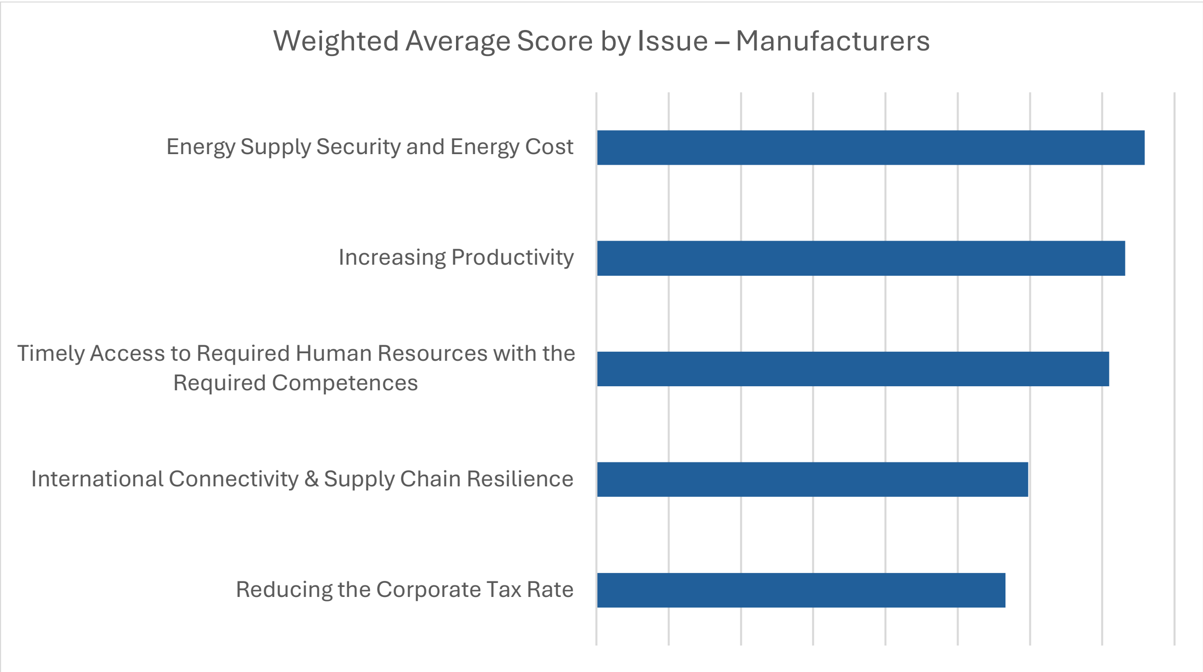

Figure 9

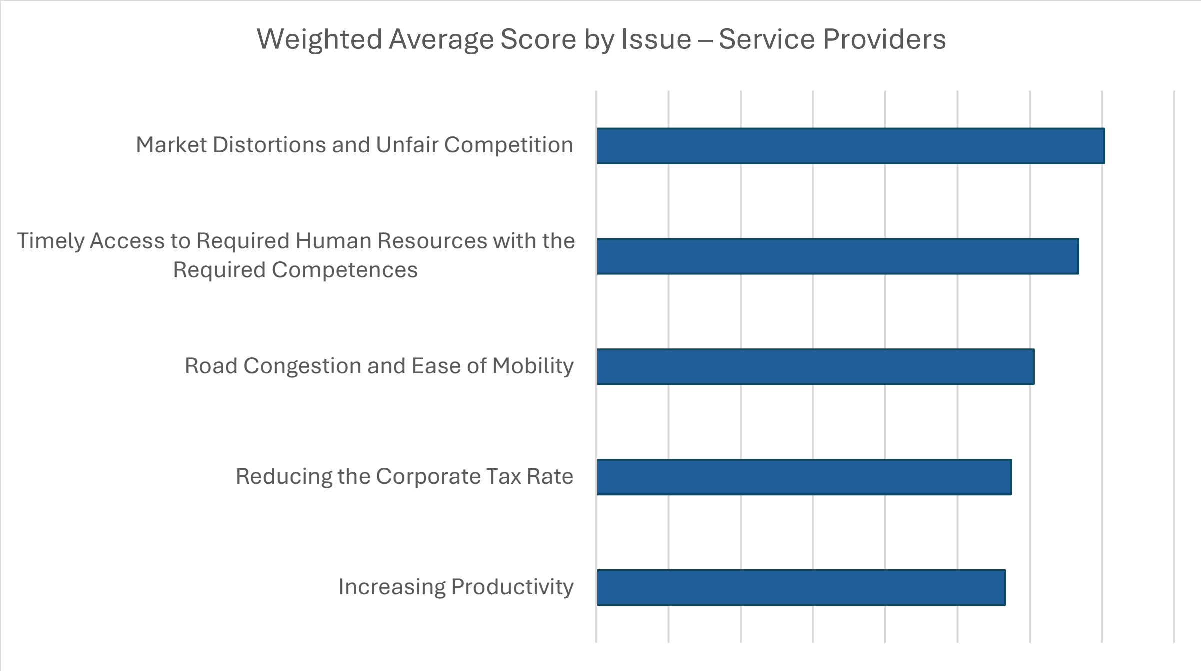

Figure 10

An analysis was also done on the ranking. The #1 concern for the Economic Groups collectively and for IDREG, MEG and SPEG separately is as follows:

- **'Timely Access to Required Human Resources with the Required Competences'** ranked as the #1 concern when Economic Groups were taken collectively.
- **'Timely Access to Required Human Resources with the Required Competences'** also ranked as the #1 concern for IDREG.
- **'Energy Supply Security and Energy Cost'** ranked as the #1 concern for MEG.
- **'Market Distortions and Unfair Competition'** ranked as the #1 concern for SPEG.

Taken together, the 'Economic Insights' and the collective survey findings provide a strategic foundation for the policy proposals that follow.

Proposals

For businesses to prosper, for wealth to be created and enjoyed by everyone, and for quality of life to improve, policymaking needs to be well-planned, agile and forward-looking.

It must also strike the right balance between immediate objectives and longer-term priorities.

This is what encourages sound investment, sustains a rational political commitment, and ensures readiness.

In view of this, our proposals are classified under 2 main headings:

A. Productivity and Competitiveness

The Malta Chamber sees ‘Productivity and Competitiveness’ as the <u>engines of sustainable growth.</u>

It enables businesses to operate and compete ethically both nationally and on a global stage by increasing velocity and maximising output, ultimately shaping a seamless and high-performing economic environment.

B. Excellence through Quality

The Malta Chamber considers ‘Excellence through Quality’ as the <u>standard of growth</u> – it is about doing the right things at the highest possible level.

This builds long-term brand equity for our country, ensuring long-term value creation that transcends price-point competition.

PRODUCTIVITY & COMPETITIVENESS

A. Productivity and Competitiveness

Our survey's results are strongly corroborated by the **Malta's Business Dialogue (2026 Q1)**[7] published by the Central Bank. As highlighted in our Introduction, this Central Bank report reveals a Maltese economy characterised by immediate resilience and a surge in long-term optimism, despite a temporary "cooling" of current conditions. While the net balance of firms reporting improved current activity fell to 33% from 52%, business expectations for the future jumped significantly to 42%, the highest level in nearly two years.

This means that Maltese businesses will need to be pivoted from a phase of "easy growth" to one requiring strategic efficiency, including harnessing technology to offset labour shortages and diversifying operations to remain resilient against external geopolitical shocks.

This section features a number of proposals in this regard, focusing on:

1. Human Resources
2. Mobility Infrastructure
3. Connectivity, Logistics and Internationalisation
4. Utilities and Renewables
5. Technology
6. Corporate and Other Taxation Measures
7. State-Induced Market Distortions.

[7] https://www.centralbankmalta.org/cbm-business-dialogue

1. Human Resources

Securing staff with the necessary skills and obtaining them when needed emerged as a leading concern for businesses.

High levels of productivity require a workforce that is skilfully trained, emotionally invested, and strategically aligned. Maintaining competitiveness demands a team capable of pivoting and problem-solving in good time and with precision.

Moreover, the challenges of sourcing and retaining human resources are expected to become greater due to the ageing population, low birth rates, and increased competition for human resources from other European countries.

In this section we highlight the importance of:

- Refining the Current Labour Migration Policy
- Encourage Active Labour Market Participation
- Retaining Good Talent within our Workforce
- Investing In and Attracting Specialised, High-value, and Quality Talent
- Meaningful Public Sector Employment
- Active Ageing and Pension Reforms
- Education and Life-Long Learning.

1.1. Refining the Current Labour Migration Policy

- Establish a **unified digital platform** across Identità, Jobsplus, Police and Housing to automate end-to-end work visa processing and seamless data sharing, including giving the applicant detailed visibility of (i) the application stage, (ii) which entity it is at, (iii) accurate estimated time of approval or otherwise, and (iv) additional info required.

- Recalibrate implementation measures based on gathered experience over the past months to **reflect operational realities**, amongst others:
  - Exempt <u>probation and redundancies (just cause)</u> from quotas.
  - Revisit the mandatory <u>three-week vacancy ads</u> particularly for certain roles that are critical for continuity in business operations.
  - Shorten response time for quota waivers with respect to verified <u>business growth and/or expansion</u>.
  - Process applications within <u>shorter time-frames</u>, coupled with <u>clear and unambiguous application requirements</u> from the outset.
  - Extend the current renewal period to 3-year periods.
  - Recognise that certain industries require <u>sector specific frameworks</u> due to the nature of the environment that they operate in (such as seasonality, quick turnarounds etc). The recruitment process for highly skilled international personnel should be fast and do away with the unnecessary bureaucratic obstacles. Particular consideration should be given to the aviation, yachting, maritime, and shipping sectors, where operational continuity depends on

the rapid deployment of highly specialised international personnel. In the case of yachting and shipping, captains and key crew roles are central to vessel operation and are typically internationally mobile, rotating across jurisdictions in line with global fleet requirements.
    - Revisit the Maltese/EU employee to foreigner employee ratio, specifically for companies whose overtime costs are very high[8] due to the fact that they have reached the ratio defined under the current LMP and are finding it hard to find Maltese/EU employees to take up the vacancies (which would in turn also allow TCN employment within the legal ratio), and therefore whose only remaining option is to incur significant overtime costs to cover all the shifts.
    - Eliminate status gaps during appeals particularly given the length of time for an appeal hearing to be concluded and the existing backlog at the Immigration Appeals Board.

- Consider the possibility of work permits to **adults who have asylum protection status as per Maltese laws**, subject to (a) a clean police conduct, (b) a certification of competence and (c) subjected to a three-year renewal – the current law on the 2% disability quota could be amended whereby the 2% quota could be reached by employing both people with a disability and asylum protection adults[9].

- Refine **Recruitment Agency Business Framework** as follows:
    - Introduce a risk-based and proportionate licensing framework that differentiates between low-risk recruitment-only agencies and higher-risk labour supply or outsourcing models to reducing superfluous re-vetting.
    - Replace blanket documentation with a change-based renewal system, requiring resubmission only for new, expired, or altered documents, supported by flexible timelines that reflect operational realities and peak business periods.
    - Increase the visibility of and disseminate knowledge on the Maltese Recruitment Licence to ensure that employers are fully aware of who is duly licenced and whose services they can use.
    - Strengthen enforcement through higher fines, operational bans for repeat offenders and public naming of non-compliant entities to reinforce deterrence.

1.2. Encourage Active Labour Market Participation

- Subsidise **in-house childcare and family support** arrangements.

- Prioritise **Life and Work** without rigid sectorial cross-cutting mandates – case-by-case arrangements prove to be more effective since work-based flexibility improves both wellbeing and productivity, as opposed to 'one-size-fits-all' experiments.

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[8] The revised threshold is to be set clearly at law, to have clarity across the board and avoid subjectivity. Further documented proof of overtime must be provided through official documents.

[9] Given that to date there is no comprehensive and easily accessible register due to data protection considerations, it is very difficult for businesses to meet the current quota.

- Balance the introduction of **any new leave entitlements** by introducing equally proportionate measures that promote private-sector productivity – to protect competitiveness, any new leave allowances or extension to that already existing, should be matched by initiatives that help neutralise additional direct and indirect labour costs and improve business efficiency.

1.3. Retaining Good Talent within our Workforce

- Introduce tax exemptions for a period of 5 years to attract **highly qualified Maltese nationals currently working and residing abroad to return to Malta** to help address local skills gaps, strengthen the talent pool in key sectors and reverse brain drain by incentivising the reintegration of experienced professionals into the domestic economy, based on similar frameworks to those introduced in Greece[10] and Italy[11].

- Remove the current cap and reduce the tax rate for **overtime for full time employees** – the tax rate for overtime should be lower than the part-time rate to incentivize employees to opt for overtime over part-time jobs – employees are choosing to find part-time jobs to pay less tax due to lower tax percentage for part-time work, a tendency which is quite prevalent among local young workers, particularly in manufacturing and retail sectors.

1.4. Investing In and Attracting Specialised, High-Value, and Quality Talent

- Launch a structured industry outreach scheme for **Business Studies Heads of Department and Education Officers teaching secondary students**, providing insights on how to bridge the gap between STEM theory and real-world commercial application.

- Implement a **student voucher system for post-secondary education**, empowering learners to access high-quality, market-aligned private and independent training and learning programmes.

- Introduce stronger incentives for students to choose **STEM and healthcare tertiary education**.

- Scale up the **public expenditure on RD&I** by increasing the current 175% tax deduction of R&I expenditure of companies to 200%.

- Explore **long-term residency pathways** for specialised third country nationals[12].

- Simplify **family member reunification** and the work permit issuance for specialised third country nationals.

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[10] https://greekreporter.com/2026/05/06/brain-regain-greece-tax-breaks-return-skilled-workers/

[11] https://parakar.eu/knowledge/italy/impatriate-tax-beneficial-regime-in-italy

[12] For example, **Germany** allows one to apply for naturalisation after just 5 years (previously 8), or even 3 years if you show "exceptional integration" (eg: C1 German language skills).

1.5. Meaningful Public Sector Employment

- Commission an **independent, third-party audit of all government departments and entities** to identify structural redundancies, streamline bureaucratic layers and uncover surplus capacity, with the objective of improving efficiency rather than expanding headcount – this should include a thorough review of human resource requirements and resources within the public sector[13], complimented with a **transition programme** to support the secondment and redeployment of surplus public sector personnel into the private sector.

- Eliminate **half day schedules** and **streamline working hours** to those of business – half-day schedules within the public sector create inconveniences for business, as do non-aligned working hours – different coverage hours could be introduced for better alignment.

1.6. Active Ageing & Pension Reforms

- Incentivise active ageing for early retirees by permitting declared part-time employment without compromising pension eligibility or benefits.

- Execute a phased implementation of Auto-Enrolment (AE) pensions with an opt-out mechanism14, and particularly incentivising its take-up by younger employees, supported by robust fiscal incentives for voluntary employer contributions such as adequate tax incentives to invest in their employees' private pension scheme.

1.7. Education and Life-Long Learning

- Conduct a **root-and-branch Curriculum Reform**, transitioning the national educational framework from a knowledge-acquisition model to a skills-based architecture and revisit the methods of assessment.

- Scale existing academic-industry synergies, like for instance in aviation, (i) into a certified, **nationwide micro-credential framework** and (ii) extend it to other sectors.

- Introduce **Individual Learning Accounts (ILAs)** in the form of 'portable skills e-wallets' to foster a culture of lifelong learning and employee ownership of career development.

[13] Public sector employment practices need to become more rigorous to ensure that no superfluous jobs are created, whether within the civil service itself or with public authorities, parastatal companies and other state funded entities.
[14] https://maltachamber.org.mt/wp-content/uploads/2025/08/20250808-Auto-Enrollment-Pensions-Scheme-final.pdf

- Introduce a **Vocational Mobility Trades Package** (could include English language learning and support on rent) designed to attract workers and international students. Participants would be given work placements with Malta-based employers to address (a) Malta's lacking talent in trades and eventually (b) position Malta as an attractive destination for trade-focused education. High-performing students may also be offered extended stay visas tied to longer term residency permits.

- Establish **digital and financial literacy** as mandatory core subject at the primary level.

- Introduce **AI and critical thinking horizontally** across the primary curriculum through its practical integration into all subjects taught.

- Introduce a structured **Tech Apprenticeship Programme** to enable students to split time between academic learning and workplace experience in high-demand fields, supporting employers who participate in this programme through tax relief and tax credits.

- Support employers, possibly with tax deductions equivalent to the training costs, for **employee training that produces measurable outcomes in productivity** and more efficient operating models.

2. Mobility Infrastructure

Effective road infrastructure acts as the circulatory system of a modern economy. When it is clogged by chronic traffic congestion, the entire system suffers from systemic inefficiency. Beyond the individual frustration of a daily commute, gridlock represents a significant drain on macroeconomic productivity, as hours of human capital are lost to idling rather than contributing to value-added activities. Moreover, robust infrastructure is also a cornerstone of competitiveness, ensuring that one can operate within schedules, without the unpredictable overhead of delays caused by traffic congestion. If we invest in resilient transport networks, the overall cost of doing business is lowered, and renders Malta far more attractive to both capital investors and high-tier talent. Ultimately, mobility is a fundamental prerequisite for growth.

To achieve this, one must implement measures that instigate a culture change, one that instigates a behavioural and lifestyle shift that reduces the number of vehicles on the road at any given time. Any future consideration of rapid transit and large-scale multi-modal systems should, in addition to being contingent upon robust technical and financial feasibility studies, only be taken into consideration if this behavioural shift occurs.

- Make available funds for a **mobility e-wallet** allowing people to use these funds on various sustainable transport modes to benefit from discounted travel – an amount could be allocated annually to be used for all forms of shared or sustainable mobility in order for people to change their behaviour and lifestyle, and which lead to less emissions and less congestion.

- Reform **urban parking management** through the introduction of parking fees in central and congested urban areas, with fees paid being transferred into the above-mentioned e-mobility wallet – the zero cost of parking on the street in urban centres is a factor which disincentivises investment in parking facilities and mitigates in favour of people using their private cars to travel to congested areas.

- Introduce better use of smart parking technology to notify drivers of **closest available parking spaces**.

- Deploy smart mobility and logistics technologies, for **last-mile delivery efficiency in commercial areas**.

- Consider more public-private partnerships to **reallocate on-road parking spaces to new multi-storey underground parking spaces** (providing also for EV vehicle charging infrastructure and with green public spaces at surface level where possible), therefore freeing up the space on the road - this can be integrated with park and ride services, where necessary, or adequate walking and cycling infrastructure including sharing platforms, for people to move around.

- Introduce obligatory off-street car park spaces tied to **permits issued for new buildings**, which obligation should not be allowed to be offset against a payment of fees (previously known as the Commuted Parking Payment Scheme, later absorbed in the Development Planning Fund, whilst also placing more emphasis on the importance of comprehensive and realistic **Traffic Impact Assessments**.

- Continue ongoing work to ensure that all **industrial estates** and **district hubs** are adequately served by public transport, taking into account shift-based demand patterns and building on existing provision already in place in certain areas.

- Revisit the current **school transport system to maximize pooling efficiency** – pooling should be organised by zone and not by school.

- Improve on and extend the **iSchool Grannies initiative** nationally.

- Ensure better planning and co-ordination of **roadworks**, at a local and national level, to avoid unnecessary traffic congestion and prolonged inconveniences for residents and the businesses particularly those operating in tourist zones and retail areas.

- Roll-out a **centrally managed permitting system**, which is also made available to the general public, to facilitate effective planning and issuing of permits for concurrent activities in the same region, especially during traffic peak hours – the system needs to have a broad digital coordinating platform, onboarding amongst others Transport Malta, Infrastructure Malta, WSC, BCA, OHSA, Police, local councils and telecom service providers to avoid uncoordinated road closures which hamper productivity and increase emissions.

3. Connectivity, Logistics and Internationalisation

Malta's economic competitiveness is intrinsically linked to the strength and efficiency of its connectivity and logistical gateways. As an island economy, the country must overcome the structural limitations of its geography by ensuring seamless access to international markets and reliable transport links. Maltese businesses face permanent challenges which are over and above what other businesses in mainland Member States need to contend with, ultimately impacting competitiveness.

Transport costs carry particular significance for Malta due to its heavy dependence on maritime and air transport. Any disruption in shipping routes or increase in freight costs (sea and/or air) directly affects Maltese importers and, in turn, undermines the competitiveness and profitability of businesses that rely on the timely and cost-effective movement of goods. This physical disconnection from the mainland continues to place Malta's manufacturing, logistics and shipping sectors at a distinct disadvantage.

These inherent disadvantages must be a national priority, as they lie at the heart of many of the inflationary pressures, productivity constraints and competitiveness challenges faced by the Maltese economy. By optimizing our logistical gateways and streamlining the path to international markets, we move beyond the limitations of our domestic geography.

- Advocate effectively **Malta's insularity at the EU level** by:
  - Ensuring transport, energy and tax policies reflect our unique structural realities.
  - Carving flexible Global Harmonised Tax and Pillar II implementation.
  - Amending Combined Transport Directive rules which work against peripheral island states.
  - Ensuring that our dedicated shipping-specific tonnage tax framework remains untouched.
  - Decoupling carriers' BAF, Refuel EU and ETS surcharges to give full visibility of the charges through increased transparency.
  - Lobbying to freeze ETS Maritime and Aviation until global parity exists at IMO and ICAO.
  - Securing 100% Sustainable Aviation Fuel price-gap coverage.
  - Abolishing aviation anti-tankering for island states.
  - Mandating island-specific impact assessments on upcoming legislation from inception backed with data.
  - Maximising island-specific State Aid frameworks against our territorial Single Market failures.

- Invest in a state-of-the-art **International Logistics Hub**, one which would seamlessly integrate air, sea and land transport, leveraging Malta's strategic location at the crossroads of major global trade routes. This can be done possibly through a Public Private Partnership (PPP) model, under the Free Zone Act. This initiative would not only enhance Malta's role in international trade, but it would also cultivate a new economic sector focused on high-value logistics and supply chain services. If done well, it could position Malta as a premier logistics gateway between Europe and North Africa. Our Logistics Hub proposal aligns with national development priorities and complements the planned expansion of the Freeport and the development of a dedicated air cargo terminal at the airport, as outlined in Malta Vision 2050.

- Recognise the strategic importance of the **Grand Harbour** as critical national infrastructure and safeguard its core maritime, logistics and industrial functions as a primary national priority – in all planning and development decisions affecting the area, industrial and operational requirements should take precedence, ensuring that commercial interests do not undermine or displace activities that are essential to Malta's economic resilience and connectivity[15].
- Give more due attention to **internationalisation**, particularly to identify markets that offer real potential for local businesses to expand internationally – in this regard, it is also important to have a **modern industrial policy** for the manufacturing industry outlining the country's priorities, objectives, institutional responsibilities, targeted support instruments and policies related to trade, regulation, innovation and technology, education and skill formation, as well as sustainable supply chains (given that currently the manufacturing industry is operating in a vacuum).

[15] Any proposed development within its precinct should be subject to rigorous impact assessments, particularly in relation to road haulage, port operations and maritime services, so as to preserve the Harbour's strategic utility and long-term national value.

4. Utilities and Renewables

Utilities and renewables are fundamental to Malta's economic competitiveness, social well-being, and long-term resilience. In the context of geopolitical uncertainty, climate pressures, and rising resource constraints, this section focuses on treating energy, water, and related infrastructure not as isolated policy areas, but as essential foundations for sustainable national development.

The proposals in this section advocate a shift from passive resource consumption to strategic resource security. Investment in renewables, energy efficiency, and modern utility systems is essential to deliver greater price stability, reduce external dependency, and strengthen Malta's capacity to respond to future shocks. For Malta, this agenda is particularly urgent. Given that Malta has a highly import-dependent energy system and is one of Europe's most water-stressed countries, Malta must strengthen both its energy autonomy and resource resilience. This requires sustained action to continue modernising the grid, expand renewable generation, improve energy performance across the built environment, secure water supply through greater efficiency and innovation, and ensure that critical infrastructure is robust enough to withstand climate-related and operational risks.

- Initiate early-stage mapping and preparatory work for the post-2035 **for the liberalisation of the energy distribution network framework**, in the event that a derogation extending beyond 2027 is secured, supported by structured stakeholder engagement and regulatory transition planning.

- Revisit industrial **night-time electricity tariff** structures by lowering eligibility thresholds to encourage greater uptake among businesses, incentivising a shift of suitable operational activities to off-peak periods and thereby contributing to reduced congestion and better management of peak demand pressures on the grid.

- Establish a Maltese **industrial decarbonisation support scheme**, drawing on successful EU models such as those of Germany and Spain[16], to help businesses invest in cleaner technologies, renewable energy integration, and low-carbon production processes. Malta must proactively monitor and adopt effective European funding and state-aid mechanisms to safeguard industrial competitiveness during the green transition.

- Introduce much needed changes to the current policies at **INDIS** in respect of renewables:
    - Maximise the <u>use of rooftop space</u> in industrial estates by enabling full deployment of photovoltaic systems whilst providing long-term investment certainty rental charges, by making it more worthwhile for companies to invest in PVs on their industrial roofs as opposed to leaving them underutilised.
    - Ensure that all businesses are subject to the same terms when it comes to investing in <u>system upgrades</u>, including giving them the ability to adjust or expand photovoltaic installations over time to support efficiency improvements and changing energy needs.

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[16] https://ec.europa.eu/commission/presscorner/detail/en/mex_26_1042 and https://ec.europa.eu/commission/presscorner/detail/en/ip_26_997

  - Clarify and standardise administrative and cost procedures for renewable energy projects to ensure transparency and consistency across all cases.

- Invest in the upgrading of the grid to allow for **bi-directional energy transfer**, drawing energy from the grid and supplying excess energy back to homes and businesses, to capture and put to good use excess energy that may be generated.

- Incentivise **households** to replace old appliances that are inefficient with energy efficient alternatives through reduced VAT on the purchase of such products.

- Redirect **more public funds in assistance towards long-term investment in renewable energy infrastructure**, so as to build a cleaner, more resilient and more independent energy future for Malta – subsidies on conventional energy should remain as a strategic safeguard, deployed in cases of force majeure or exceptional shocks, such as geopolitical crises that disrupt energy prices.

- Introduce an **open rolling-call system** to ensure continuous access to funding for renewable energy systems.

- Streamline support for renewable energy investment by strengthening coordination and data sharing between the Planning Authority, Enemalta, REWS and other relevant authorities, ensuring that **grid capacity and technical feasibility considerations are integrated early in the permitting process**.

- Enable the purchase of **certified renewable electricity** from the national system by allowing consumers and businesses to opt for a green electricity tariff and introduce a clear system to track and account for this consumption so progress towards Net Zero can be measured more accurately – this is particularly required to facilitate CSRD compliance for businesses that fall within scope as well as to provide an alternative for businesses investing voluntarily in green initiatives.

- Ensure that projects related to **offshore renewables** provide a viable and financially sustainable opportunity for Malta, laying out a clear with implementation timelines.

- Scale **water resilience and reuse systems** through targeted incentive schemes for:
  - Storage and use of rainwater harvesting in industrial estates and domestic structures.
  - Treatment and reuse of greywater in the hospitality and healthcare industry.
  - Investment in technology to improve irrigation efficiency in agriculture, public and private landscaping.

5. Technology

Digitalisation is a key driver of productivity, competitiveness, and sustainable economic growth. When effectively adopted, it can streamline transactions, widen access to services, support business expansion, and create higher-value employment opportunities. For Malta's economy to remain competitive, businesses must be continuously supported in accelerating the adoption of digital tools and automation to reduce inefficiencies, contain costs, and improve operational performance.

A successful and inclusive digital transformation requires the right enabling conditions. These include stronger digital skills and education systems, sustained investment in modern infrastructure, a business environment that supports innovation, healthy market competition, and improved access to finance for digital adoption.

Digitalisation should not be treated as a standalone policy area, but as a cross-cutting enabler of national development. It shapes the relationship between citizens, businesses, and government, and influences how efficiently the country delivers services, regulates activity, and responds to emerging opportunities. A modern digital economy depends on the effective use of data, interoperable systems, and public institutions that are equipped to operate with speed, transparency, and consistency.

- Establish a **Technology Strategy Implementation Unit** within the OPM to coordinate digital priorities across ministries and report progress via public dashboards. All publicly funded programmes must be measured against outcome-focused KPIs, productivity gains and confirmed AI adoption, rather than solely activity metrics.

- Establish a one-stop **compliance helpdesk** to guide businesses through NIS2, the EU AI Act, and the Digital Services Act compliance and applicability. The helpdesk should offer sector-specific support targeting practical AI adoption in finance, supply chains, manufacturing and other sectors.

- Accelerate cross-sector growth by launching **industry-specific digitalisation schemes** (rather than generic schemes applicable to multiple NACE codes).

- Review **Malta's AI Strategy** at six-month intervals to enable faster feedback loops and ensure workforce and technology policies keep pace with technological change.

- Position AI technology explicitly as a primary driver for productivity and competitiveness, specifically targeting the mitigation of chronic labour shortages in critical sectors such as **tourism, energy, maritime, logistics, and robotics**.

- Maintain the €100 million for AI and technology investment announced in the last Budget as a **recurring annual commitment**, extending it to cover (i) other **new and emerging technologies** and (ii) **preparedness for future technologies**.

- Establish a **National AI Lab** as a public-private partnership focused on Maltese Natural Language Processing (NLP), maritime technology, and Regtech, amongst others, with a mandate to deliver commercially viable prototypes.

- Embark on a **nationwide programme to ensure that country is well-equipped and set-up to prevent cybercrime attacks and that the business community is also knowledgeable on the subject, prepared and equipped** – with respect to businesses this should cover (i) ensuring a good understanding of how cybercrime happens, (ii) the importance of businesses having proper systems and protocols in place to prevent cybercrime attacks, (iii) the importance of having proper procedures in place and the importance in follow them in the event of a cybercrime attack; with respect to the nation's security, apart from knowledge and protocols to follow, it is also important to (i) ensure the proper setting up of predefined and rehearsed war-room protocols for major incidents effecting the nation, (ii) have real-time threat intelligence sharing in a timely manner, (iii) ensure that critical sectors are well-coordinated, and (v) have independent validation of government cybersecurity posture[17].

- Increase **CYBER+ALT** funding ceilings from the current €60,000 ceiling to €100,000 and increase the allocated budget which is currently set at €2,000,000, and the **Mind the Gap** funding ceiling from €10,000 ceiling to €50,000 – this will help improve cybersecurity maturity whilst also signal that cybersecurity should be treated with the same seriousness as other business investment priorities.

- Update building requirements and regulations mandating **fibre-ready infrastructure and 5G small-cell provisions** at design stage for all new developments and eventually extending it also to structured retrofitting programme for existing buildings to ensure that Malta's entire built environment, not just new stock, is prepared for the modern digital economy.

[17] It is important to embark on a national cyber resilience programme grounded in existing strategy and applicable legislation, focused on two clear objectives: strengthening the security of critical national infrastructure, and ensuring the business community is better prepared and protected against cyber threats. With respect to the business community, the programme should: (i) through existing service providers, deliver structured cybersecurity awareness and training; (ii) incentivise businesses, through grants or co-funding mechanisms, to meet recognised baseline cybersecurity standards; and (iii) through wider collaboration with existing operators, make accessible advisory and first-response support available to businesses that have suffered a cyber incident. With respect to national security and critical infrastructure:
(i) establish and regularly exercise a national cyber crisis management framework, with clear command structures, defined cross-agency roles, and tested escalation procedures; (ii) ensure that threat intelligence is shared promptly and in a structured way between government and the private sector; (iii) require critical sectors to maintain dedicated cybersecurity coordination bodies, with regular exercises and agreed protocols for mutual support; (iv) invest in growing Malta's cybersecurity talent pool through education, professional certification, and appropriate retention incentives; and (v) have the government's own cybersecurity posture independently assessed on a regular basis against recognised international benchmarks, with findings published to ensure accountability.

6. Corporate and Other Taxation Measures

A modern tax system should do more than just generate revenue – it should strengthen competitiveness, support productive investment, and create the right conditions for sustainable economic growth.

In this section, The Malta Chamber sets out a number of proposals on corporate tax and other tax aimed at fostering a growth-oriented fiscal framework that rewards ethical business, innovation, and long-term reinvestment. At a time of intensifying international tax competition and increasing pressure on business costs, Malta's tax framework must be internationally competitive, while also supportive of value creation and business development within the domestic economy.

Malta has the highest corporate income tax rate in the EU in 2026 (*Figure 6)*, standing at 35%. At the same time, the current corporate tax structure favours foreign companies through the 6/7ths refund mechanism. This is resulting in an uneven playing field and a competitive disadvantage for domestic companies.

Particular attention is also given to family businesses, which remain a vital pillar of Malta's economy and require a tax framework that supports continuity, investment, and intergenerational growth.

It also addresses tax anomalies affecting specific sectors and considers how VAT revenues and policy can be better aligned with the maintenance, regeneration, and upgrading of localities across Malta.

- Reduce the corporate tax rate from **35% to 25%** for all business, down to **20% for compliant business to reward ethical businesses,** coupled with **targeted incentives for high-potential sectors** (both foreign and local) for export aimed to encourage innovation, attract more high value-added investment and employment.

- Eliminate tax on **COLA**.

- Revisit downwards current taxes and/or stamp duty linked to *inter vivos* and *causa mortis* transfer of assets, movable and immovable property for **family businesses**, ensuring that any tax and/or stamp duty attached to *inter vivos* transactions are at a lower rate than those at *causa mortis* stage to incentivise family business towards proper and planned succession planning during the *inter vivos* stage.

- Address tax and VAT-related distortions that create an uneven competitive environment between **short-term rentals, long-term leasing, and licensed accommodation providers**, while safeguarding housing availability and maintaining a sustainable tourism offering[18].

[18] Measures could include (i) reviewing the applicability of the Final Withholding Tax regime for short-term rental activity, particularly where operations resemble commercial accommodation provision in scale or intensity, (ii) introducing tiered taxation linked to rental intensity, occupancy levels, number of units operated, or turnover thresholds, whereby short term rental activity exceeding defined thresholds is treated fiscally as commercial accommodation and (iii) reviewing the deductibility framework applicable to short term rental related expenses to ensure proportionality and consistency with long-term residential leasing. The detailed proposal can be found at this link: https://maltachamber.org.mt/wp-content/uploads/2026/03/Rediscover-to-Align_Malta-Chamber-Tourism-Vision-2026.pdf.

- Establish a **Tourism Resilience and Reinvestment Reserve (TRRR) mechanism**, allowing tourism operators to allocate up to 20% of their annual pre-tax profits into a dedicated reserve on a tax-deferred basis. Funds held in the reserve must be utilised within 3 years, either for eligible reinvestment or to support business continuity during periods of crisis, such as refunding prepaid bookings or safeguarding cash flow. Where funds are used in accordance with these objectives, the retained profits would be taxed at a reduced rate of 15%. Any remaining unused amount after the three-year period would instead be subject to the standard corporate tax rate at that time.

- Invest back in **every locality's product development a % of the VAT generated by that particular locality as well as the eco-contributions** – reinvestment of locally generated revenue back into the community would ensure a fairer distribution of resources, supporting long-term destination quality across all localities, and a better quality of life for citizens.

- Introduce **Venture Capital Tax credits** with 100% tax offsets for Malta based investors who provide seed capital to Maltese based startups, with the aim of retaining them in Malta.

- Allow businesses to deduct 200% of their **training costs** from taxable income, provided that the training targets national 'Critical Skills List'.

- Introduce a new system which **offsets different taxes against each other**, such that when businesses are owed a refund of any form of tax, it is immediately offset against other tax dues – this would help improve cashflow for businesses that pay their taxes promptly.

7. State-Induced Market Distortions

Well-functioning markets require a clear distinction between the role of the State as administrator and enabler, and that of the private sector as operator and service provider. Public sector structures and practices must support fair market practices by avoiding (i) direct competition with private industry, (ii) giving advantage based on political proximity or (iii) helping one service provider over another through state advantage.

Public sector structures and practices should aim at creating healthy and competitive opportunities as against giving unfair advantage to initiatives that crowd out or suppress private initiative.

- Apply a **market-neutrality principle** across all sectors, preventing government entities from competing directly with private operators in the (i) provision of services, (ii) organisation of commercial activities, (iii) delivery of training, and ensuring public intervention is limited to areas of clear market failure or new markets which require an initial impetus[19].

- Introduce a clear, publicly accessible and transparent **seed funding framework for events** to replace the State's current *ad hoc* approach to part-sponsoring and supporting events – the framework should be open to all industry operators and include defined eligibility criteria, impact reporting requirements, and step-down mechanisms, ensuring that public funding acts as a catalyst for private sector delivery across the board (rather than displacing it to a competitive disadvantage, in favour of one operator over another).

- Introduce safeguards to prevent government entities absorbing a disproportionate share of **EU funds**, ensuring a fair allocation between public and private applicants so that public sector projects do not crowd out private investment or delay disbursement.

[19] Examples could include the waste management sector, entertainment events, and occupational health and safety training.

EXCELLENCE THROUGH QUALITY

B. Excellence through Quality

Malta's future competitiveness depends on transitioning from a volume-driven model to one centred on quality, productivity and long-term value. While recent years have demonstrated resilience, structural inefficiencies continue to constrain growth, dilute competitiveness and place pressure on infrastructure, public services, and quality of life.

To address these challenges, policy must strengthen governance, institutional agility, and enforcement, underpinned by transparency, accountability and a level playing field. Public intervention must support — not distort — market outcomes, while encouraging innovation, quality investment and sustainable growth. Delivering this requires a coordinated reform agenda across five priority areas:

1. Built Environment and Spatial Planning
2. Institutional Agility and Ease of Doing Business
3. Enforcement and Standards
4. Public Procurement
5. Governance.

Together, these pillars ensure that quality and efficiency are embedded across all levels of policy and implementation. Achieving this requires a consistent focus on raising standards across both economic activity and public service delivery, ensuring that quality is embedded in how businesses are governed, supported and sustained over time.

1. Built Environment and Spatial Planning

The built environment is the physical manifestation of a nation's economic ambition and social values. **Spatial Planning** is not merely a regulatory exercise in zoning – it is the strategic coordination of land, infrastructure, and human activity to create the conditions for sustainable growth. In too many instances, outdated planning frameworks have become bottlenecks, driving up costs, stifling innovation, and creating fragmented communities.

- Strengthen national spatial planning governance by urgently revising the **Strategic Plan for Environment and Development** (SPED, 2015), which was due for review in 2020[20], ensuring alignment across all planning policies, clear hierarchy of rules, and removal of ambiguity that enables inconsistent application, supported by a carrying capacity assessment of Malta's built and natural environment.

- Ensure that any reforms to any parts of any planning legislation are undertaken as part of a holistic, transparent and consultative process, avoiding **piecemeal amendments** and safeguarding consistency, rule of law and long-term national interest.

- Introduce a **National Architecture, Aesthetics and Landscape Policy** to safeguard Malta's cultural, historical and natural identity, including the protection of ODZ land, townscapes and visual identity as strategic national assets, ensuring higher design quality and greater coherence in development decisions.

- Provide specific incentives earmarked for the maintenance, restoration and adaptive reuse of heritage buildings, particularly **in historic urban areas** such as Valletta – this could also be extended to converting dormant structures for cultural or creative use[21].

- Support the regeneration of **Urban Conservation Areas** (UCAs) through interest-free/close-to-zero renovation loans funded via dedicated schemes, incentivising property owners to undertake upgrades that improve living conditions, enhance property values and revitalise historic areas.

- Protect non-UCA properties featuring traditional **Maltese limestone** architecture by extending UCA-equivalent incentives to limit demolition, safeguarding Malta's built heritage and preserving the use, character and appreciation of traditional stone, thereby reinforcing the country's distinct visual identity.

[20] Clause 1.13 of SPED 2015 identified 2020 as the first milestone for review; however, this review has not yet been undertaken. Compounding this, the requirements set out in Clause 1.10, namely that development and land use policies should be illustrated by diagrams where necessary and accompanied by explanatory memoranda providing reasoned justification for each policy, have also not been implemented.

[21] The ambit of these incentives is different from the '*Irrestawra Darek'* and the '*Irrinova Darek'* schemes.

- Ensure **new developments are completed within the validity period of the permit**, typically five years, through the introduction of escalating financial disincentives for unfinished projects and the establishment of a 'Derelict Redemption Act' enabling the State to repurpose persistently incomplete buildings for public use.

- Strengthen the role of **Energy Performance Certificates** (EPCs) so that they carry real market value and contribute to the valuation of properties, with higher energy performance translating into tangible economic benefits.

- Establish a package **of fiscal incentives** to support environmentally sustainable building and investment practices, as outlined below:
    - Reduce the current tax rate on <u>profits reinvested into environmentally sustainable systems within businesses</u>.
    - Lower the tax rate for <u>lessors</u> renting buildings with an energy performance higher than the minimum required.
    - Increase support and provide exemption from <u>stamp duty for first-time buyers</u> purchasing properties with an energy performance higher than the minimum required.
    - Reduce capital gains tax or final withholding tax for <u>developers</u> using sustainable construction materials.

- Introduce a building logbook reflecting the structural and fabric history of the building, as well as its certification at construction and post-commissioning stage, noting the obligation of the owner to maintain the building in a good state of repair and to keep the logbook update with any changes that may be made to the building along the years.

- Implement a **regulatory framework for construction and demolition waste** to support the transition towards a circular economy, including minimum requirements for the use of reused or locally recycled materials, and the development of secondary markets for end-of-life construction resources.
    - Strengthen waste management practices in the construction sector by <u>mandating proper waste classification and source separation</u>, and <u>prioritising dismantling over demolitio</u>n to improve the quality and recoverability of materials.
    - Support the development of circular construction systems through targeted incentives for investment in <u>recycling infrastructure</u>, the <u>use</u> of recycled materials in new developments, and <u>research, development, certification, and innovation</u> in construction and demolition waste recovery.

- Programme the **embellishment of the urban environment** – apart from being aesthetically pleasing to the local community, it also creates a pleasant environment in the commercial areas encouraging people to go to such areas rather than resorting to e-commerce.

2. Institutional Agility and Ease of Doing Business

For a nation to compete, its institutions must evolve from rigid gatekeepers into agile platforms that facilitate, rather than frustrate, economic activity. Addressing fragmentation within departments, agencies, authorities and Ministries reduces duplication, delays, and excess bureaucracy, whilst boosting productivity. This requires the replacement of fragmented government services, the simplification of overly complex administrative procedures, and acceleration of processes.

Whilst significant efforts have been made to target fragmentation and meaningful progress has been registered in a number of areas, further work is still needed to tackle the remaining gaps.

A "Digital by Default" approach is central to this transition. This is not simply a matter of convenience. By reducing unnecessary administrative burdens, eliminating duplicate data entry, automating routine processes, and improving the user experience of public services, Malta can enhance productivity and competitiveness across the economy.

The goal of this section is to set out a practical pathway for transforming Malta's public administration and wider economy into a more agile, data-enabled, and innovation-friendly ecosystem that better serves citizens, supports enterprise, and strengthens national competitiveness.

- Accelerate adoption of the **"One-Time-Only" principle** across all government.

- Automate **customer care and verification steps** where feasible.

- Improve further on **coordination and cohesion among authorities** to increase efficiency in operations and ensure coherence throughout processes which require the involvement of multiple entities[22], including a **real-time, cross-entity technology tracking application** to enhance transparency and reduce follow-ups and delays between entities.

- Introduce a coordinated **data collection system across authorities and entities** including NSO to avoid **repeated submissions and returns** on demanding surveys and reports enabling the efficiency of public processes and promoting the principle of single submission.

- Accelerate **rebates and disbursement processes** for approved beneficiaries.

[22] Typical entities and departments would include Malta Enterprise (ME), INDIS, Lands Authority, Planning Authority, Building and Construction Authority (BCA), Transport Malta (TM), Occupational Health and Safety Authority (OHSA), Civil Protection (CPD) and Commission for the Rights of People with Disability (CRPD), Enemalta/ARMS, REWS, Identita', Jobsplus, Immigration Department, Housing Authority, and others. Improvements have been registered between a number of authorities, however there is room for further improvement.

- Reform the Malta Travel & Tourism Services Act to better reflect the realities of today's tourism ecosystem, including the evolving structure of the industry, the diversity of tourism operators and accommodation models, the emergence of new niche segments, and the increasing role of digital platforms and technology within the sector[23].

- Reform **INDIS to address and solve persistent inefficiencies, contract expiries, irregularities and regulatory confusion**.

- Revisit **Transport Malta's structure** by creating more specialised units for Aviation, Maritime/Yachting and Land/Logistics, rather than pursuing a full demerger. This would allow greater operational focus and partial autonomy while retaining shared efficiencies in ICT and corporate services, supported by dedicated liaison officers and unit-specific financing.

- Establish a **competitive, notification-based aircraft leasing framework** positioning Malta as a credible European aviation finance jurisdiction. The regime should ensure legal certainty, tax neutrality and proportionate regulation aligned with Ireland's standards.

- Extend the functionality of the **Malta Business Wallet** to all regulatory authorities, professional bodies, corporate service providers, banking institutions, incorporating all subject persons within.

- Clarify and simplify **FIAU**'s anti-money laundering compliance requirements, through explanatory guidelines tailored to (i) low-risk businesses and (ii) non-traditional sectorial investments, like those in aviation, tech, maritime, yachting and virtual assess – this would help banks better understand the commercial rationale and risk profile of these sectors, while reducing unnecessary and excessive due diligence requirements.

[23] This is over and above LN 92 of 2026, Tourism Accommodation Regulations.

3. Enforcement and Standards

Laws and standards must be applied proactively and without exception, ensuring fairness, trust and high-quality outcomes across society.

This section advocates for a shift toward predictable, technology-driven, and impartial enforcement – a system where the rules of the game are applied with clinical consistency. A level playing field can only be secured by decoupling enforcement from political whim and moving toward automated, data-backed oversight. Ultimately, robust enforcement is there to protect legitimate and ethical ambition, ensuring that those who play by the rules are never disadvantaged by those who do not. By strengthening the tools of the state to detect, intercept, and penalize violations, the law-abiding citizen and the ethical entrepreneur is protected. Ultimately, enforcement should follow the "protective shield" principle where the state's power is used to target bad actors who undermine the economy, ensuring that those who follow the law are never at a competitive disadvantage.

This section also advocates in favour of high standards. Standards play a vital role in defining what quality looks like in practice. The scope of standards goes beyond compliance – standards establish clear benchmarks for performance, consistency and accountability across sectors. When properly implemented, standards help ensure that quality is not left to chance but becomes a measurable and reliable outcome.

- Consolidate and expand the **ongoing shift towards proactive and unselective enforcement**, by strengthening coordination between government departments, enforcement bodies and regulators and optimising the use of human, financial and information resources, ensuring preventive enforcement becomes the norm across all areas.

- Utilize **AI and automate monitoring across government** to flag violations, reducing the human bias that often leads to "hand-picked" enforcement and possibly corruption.

- Apply a system in respect of **administrative non-compliance offences**, whereby minor first-time lapses are addressed through guidance, while repeat defaulters are subject to increasing penalties and proportionate consequences, particularly in cases of systemic or persistent non-compliance.

- Uphold excellence in governance by eliminating practices that foster **clientelism**, inefficiency and opacity – this requires targeted reviews, institutional reform and sustained investment, backed by **zero tolerance for institutional corruption and abuse of political or administrative authority**.

- Introduce **systemic embedding of high standards** across all sectors, so that quality, safety and sustainability become integral to Malta's operating model rather than optional add-ons – it is equally important to give tangible recognition to businesses that adhere to these high standards.

4. Public Procurement

Public procurement accounts for a significant share of public expenditure and must be transformed into a strategic lever for excellence, innovation, trust and long-term value for money. Over the next legislature, Malta must move decisively away from fragmented, short-term procurement practices towards a professional, transparent, and outcomes-driven system that rewards quality, integrity, and performance.

The Malta Chamber's 2021 'Public Procurement Reform Recommendations'[24] remains critical to achieving this shift, providing a clear framework to rationalise public spending and strengthen transparency, accountability, governance and ethical business practices, while ensuring a level playing field for all operators.

This section puts forward several proposals focusing on:

- Building a robust procurement governance framework
- Making transparency and accountability the default
- Protecting the level playing field through stronger integrity systems
- Introducing automatic price adjustment mechanisms

4.1. Building a Robust Procurement Governance Framework

- Establish a fully reformed, adequately resourced and technically competent **central procurement authority** with clear oversight responsibility across drafting, evaluation, award and post-award contract management.

- Ensure procurement decisions prioritise **expertise, data and accountability** over administrative convenience or price-only considerations, by moving from box-ticking to **substantive verification of health and safety, labour standards and equal-pay obligations**. These requirements should be treated as measures of quality and credibility, with failure to meet them carrying **direct consequences in the evaluation and scoring of bids.**

- Position procurement as a **core public-service profession**, supported by continuous upskilling, sectoral expertise and ethical safeguards.

- Institutionalise a **public rolling public procurement outlook**, published at least six months in advance by all government entities, giving businesses clarity, predictability and the confidence to invest in high-quality solutions – it also helps strategic planning in public spending.

[24] https://www.maltachamber.org.mt/wp-content/uploads/2023/03/9d4b053d-e51b-4470-ac09-33e3b07cd37d.pdf

- Safeguard the supply of **medicines and medical devices** and reduce exposure to shortages:
  - o Strengthen procurement frameworks for medicines and devices to reward quality, reliability of supply and real-world outcomes, rather than lowest-price or volume-driven purchasing.
  - o Strengthen the CPSU inventory system across its stores to enable forward planning, diversification and transparent clinical governance.

4.2. Making Transparency and Accountability the Default

- Deliver a **fully public, user-friendly Contract Register** covering all public contracts and direct orders, tracking milestones and deliverables, payments and timelines, variations and justifications, disputes and performance outcomes.

- Extend transparency across the **entire contract lifecycle**, from award to completion, strengthening public trust and scrutiny.

4.3. Protecting the Level Playing Field through Integrity Systems

- Introduce a robust **whitelisting framework**, enabling public authorities to engage with suppliers that meet objective standards of financial stability, legal and fiscal compliance, quality certification, performance history and ethical conduct.

- Strengthen and enforce a **clear blacklisting regime** for defaulting contractors and service providers, ensuring consequences are real, predictable and proportionate.

4.4. Introducing Automatic Price Adjustment Mechanisms

- Modernise Malta's public procurement contracts by embedding an **automatic, index-linked price adjustment** clause that activates only during clearly defined periods of exceptional market disruption. This would protect service continuity and market participation while also safeguarding public finances through transparent, rules-based adjustments that apply equally to price increases and decreases.

- Introduce an **automatic adjustment mechanism** so that Government reimbursement rates to care homes for elderly care services (including PPP care homes and homes renting beds to Government) are revised in line with rate increases issued through Contracts Circulars – this ensures that Government-mandated labour cost increases are consistently and fairly reflected in funding, in line with the principle of equal pay for work of equal value.

5. Governance

Governance is the silent scaffolding upon which the entire edifice of public trust is built. It is the bridge between policy intent and public impact, ensuring that the exercise of power remains founded in the principles of justice, equity, and the rule of law. Robust governance is not a constraint on power – it is the very mechanism that ensures power serves the people, and that it does so in plain sight. Proper governance protects ethical operators who shoulder the weight of compliance, as against 'shadow players' who exploit regulatory gaps, undercutting honest competition.

It is fundamental to have a clear demarcation between administrative and political responsibility. A clear demarcation between political decisions taken at ministerial level and the administrative responsibility of the civil service to execute is essential –there should not be any attempt to blur the different and distinct responsibilities.

- Implement improvements suggested by the **European Commission's Rule of Law 2025**[25] report, like for instance:
    - Maintain a public register of meetings between MPs and lobbyists.
    - Eliminate political influence over the National Public broadcaster.
    - Execute transparent state advertising.
    - Enhance meaningful public consultation.

- Introduce a cap on **positions of trust**, limiting them to highly sensitive political or security roles, with full public disclosure of compensation.

- Prohibit MPs from having **second jobs** with direct government links and mandate immediate conflict of interest disclosures for House agendas, enforced by maximum sanctions.

- Introduce more **transparency and accountability in Parliament** by implementing the Malta Chamber proposed 'Electoral Reform'[26] and the 'Accountability and Ethical Governance Framework for Members of Parliament'[27].

- Improve action and implementation of the recommendations published by the **Ombudsman**.

- Empower the National Audit Office (NAO) to **scrutinise all public contracts above a certain value** before they are signed.

[25] https://commission.europa.eu/document/download/82ce49b6-12b2-4440-bae9-18a3a929007c_en?filename=2025%20Rule%20of%20Law%20Report%20-%20Country%20Chapter%20Malta.pdf
[26] https://maltachamber.org.mt/wp-content/uploads/2025/01/2025-01-30-Strengthening-Parliament-and-Increasing-Public-Trust-A-Call-for-Parliamentary-Reform.pdf
[27] https://maltachamber.org.mt/wp-content/uploads/2023/03/6f97cbac-8f6c-424f-a884-7976c631affd.pdf

THE MALTA CHAMBER

Conclusion

The Malta Chamber of Commerce, Enterprise and Industry takes pride in serving as the leading representative of Malta's business community. The esteem in which The Malta Chamber is held by national authorities and by diverse sectors of society stems from its long-established standing as a non-partisan organisation guided by the national interest.

The Malta Chamber is firmly convinced that sustained business success, wealth creation and improved quality of life require policymaking that reconciles immediate priorities with those which are more longer-term. This balance is what drives investment in people, infrastructure and the environment, and it is what supports political resolve in favour of sustainability and sound public finances.

A Government needs to inspire trust in the general public, as well as in local and foreign investors and international regulatory bodies. A Government need to foster an ecosystem that promotes economic growth without compromising on quality of life. A Government needs to be truly able to lead the through current challenges and also challenges that may lie ahead, while at the same time safeguarding the country's long-term fiscal stability.

Effectively, one must keep in mind that the 'Readiness Premium' is almost always lower than the 'Resilience Tax'. It is significantly cheaper to invest in maintaining a sound economy than to rebuild it – the economic logic is that proactive investment yields a higher ROI than reactive recovery.

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