BUDGET PROPOSALS 2027

Budgetary Proposals Standing Committee

Chaired by: Mr. Beppe Muscat

Compiled on behalf of the Malta Chamber of SMEs

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Introduction

Malta's next phase of development must be built around a simple priority: doing more with less. The government must help its businesses produce more value from every hour worked, every euro invested and every unit of energy and land used.

This is particularly urgent for micro and small enterprises. In 2025, 99.4% of registered businesses in Malta employed up to 49 employees of which 97.1% employed between zero and nine persons[1]. These businesses do not normally have a dedicated transformation team, chief technology officer, or an in-house regulatory function. Their owner is often responsible for operations, recruitment, compliance, sales, and investment decisions at the same time. A policy that works for a large business may therefore remain inaccessible to businesses that make up almost the entire enterprise population.

The labour market confirms the immediate need to shift our focus towards productivity in all aspects of the economy. During the second quarter of 2026, 339,935 persons were employed, an annual increase of 3.4%, while unemployment stood at 3.3%[2]. There were 10,022 vacancies, 13.4% more than a year earlier. Small enterprises with 1-49 employees accounted for 53.4% of all vacancies and registered a job vacancy rate of 5.1%, compared with 1.4% among large enterprises[3]. Recruitment therefore remains necessary.

The official macroeconomic outlook reinforces the point. Malta's real GDP grew by 4.0% in 2025 and is forecast to grow by 3.7% in 2026. Yet labour productivity growth stood very low while compensation per employee was projected to rise by 4.2% and 4.4%, respectively. Nominal unit labour costs were projected to increase by 4.1% in

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[1] NSO, Registered Business Units: 2024, NR 080/2025. https://nso.gov.mt/registered-business-units-2024/

[2] NSO, Labour Force Survey: Q2/2026, NR 160/2026, 11 September 2026. https://nso.gov.mt/labour-force-survey-q2-2026/

[3] NSO, Job Vacancy Survey: Q1/2026, NR 104/2026, 15 June 2026. https://nso.gov.mt/job-vacancy-survey-q1-2026/

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2025 and 4.3% in 2026[4]. Sustainable wage growth and improved living standards require a stronger contribution from productivity.

The Malta Chamber of SMEs SME Barometer(R) Q2 2026 provides the latest business reality behind these figures. Among 402 respondents, 38.8% selected employee shortage as one of their two biggest business issues. Unfair competition was selected by 19.2%, processing of third-country national visa applications by 16.7%, skills mismatch by 15.9%, inflation by 15.4% and traffic congestion by 14.2%[5]. These pressures are not evenly distributed. Employee shortage was selected by 28.5% of businesses employing one to nine persons, 45.3% of those employing 10 to 49, and more than 61% of the two largest employment groups. By contrast, unfair competition and lower demand weighed more heavily on respondents operating alone[6].

The Q2 findings also sharpen two central Budget 2027 arguments. Among the respondents who identified unfair competition, the largest single explanation was businesses avoiding adequate legal or regulatory compliance and thereby operating at lower cost (22.1%). Direct competition from public entities or government initiatives accounted for 14.3%, unequal enforcement for 13.0%, and perceived differences between the tax treatment of local and foreign-owned businesses for 11.7%[7]. Fair competition policy must consequently prioritise compliance and reward compliant businesses.

When respondents were asked how they would most likely use additional profit if Government reduced their effective tax burden, 53.0% said they would reinvest to

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[4] Ministry for Finance, Annual Progress Report 2026

[5] https://www.smechamber.mt/wp-content/uploads/2026/08/SME-Barometer-Q2-2026-.pdf - page 7

[6] https://www.smechamber.mt/wp-content/uploads/2026/08/SME-Barometer-Q2-2026-.pdf - page 5

[7] https://www.smechamber.mt/resources/sme-barometer-results-q2-2026-presentation/ - page 6

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grow the business, 19.4% would strengthen cash reserves, 13.9% would raise wages and/or recruit, and 10.7% would reduce debt. Only 2.0% selected distribution to owners or shareholders[8]. This strongly supports SME tax relief that leaves capital within the business economy.

Budget 2027 should therefore focus on SME Productivity. Additionally, supporting reforms on finance, mobility, logistics, Gozo connectivity, energy and resource productivity should also be prioritised.

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Any action implemented should be governed by :

- think small first;
- reward compliance & good practices;
- apply proportionality to every requirement; and
- publish measurable results.

1.1 Growing sustainably

Productivity in an SME, means reducing duplicated paperwork, automating stock control, improving scheduling, investing in energy-efficient equipment, investing in training, optimising delivery or removing a regulatory delay that keeps productive capital idle.

For Malta, productivity is also the bridge between continued economic activity and a better quality of life. A model that depends mainly on adding workers can generate

[8] SME Barometer Q2 2026

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GDP, but it also places additional pressure on housing, transport, public services, land and infrastructure. A model that raises output per hour and per worker is better able to sustain wage growth, business investment and public revenue without requiring the same rate of resource expansion.

1.2 The micro-enterprise reality

Micro enterprises face a productivity bottleneck. Their limited scale makes the cost of advice, software, training and compliance proportionately higher. At the same time, the employers have less time to analyse processes or prepare complex funding applications. This means that the businesses most in need of productivity support are often the least able to access it.

The design response must therefore be different:

- applications must be short, pre-filled and proportionate;
- advisory support must be available before an investment is selected or applied for: and
- the same business information must not be requested repeatedly by different entities.

1.3 Labour shortage as a structural constraint

Malta's strong employment performance is positive, but it leaves little unused labour capacity. In Q2 2026, the employment rate for persons aged 15-64 reached 80%, while

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the activity rate was 82.8%[9]. The same survey estimated that self-employed persons accounted for 13.5% of all persons with a main job[10].

The Job Vacancy Survey shows that labour demand is concentrated precisely where the country's smaller businesses operate. Small enterprises generated more than half of all vacancies published in Q1 2026 and had a vacancy rate more than three times that of large enterprises[11]. Wholesale and retail, transport and storage, accommodation and food services, together with professional, scientific, technical, administrative and support services, accounted for more than 60% of vacancies[12].

In this regard, Malta still needs an efficient and secure system for legitimate recruitment, including third-country nationals. In parallel, every scheme should help businesses reduce avoidable labour demand through better processes, technology, skills and management. In this regard while immediate recruitment can serve as a bridge to address immediate labour demands, increased productivity will in the long term ensure we do not remain heavily dependent on recruitment. Both processes must work in tandem. Malta does not afford to focus on one area and not another.

1.4 The productivity-cost gap

Labour productivity is not keeping pace with compensation and unit labour costs[13]. Businesses should therefore be given the tools to raise value added so that better

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[9] NSO, Labour Force Survey: Q2/2026, NR 160/2026, 11 September 2026. https://nso.gov.mt/labour-force-survey-q2-2026/
[10] NSO, Labour Force Survey: Q2/2026, NR 160/2026, 11 September 2026. https://nso.gov.mt/labour-force-survey-q2-2026/
[11] NSO, Job Vacancy Survey: Q1/2026, NR 104/2026, 15 June 2026. https://nso.gov.mt/job-vacancy-survey-q1-2026/
[12] NSO, Job Vacancy Survey: Q1/2026, NR 104/2026, 15 June 2026. https://nso.gov.mt/job-vacancy-survey-q1-2026/
[13] Ministry for Finance, Annual Progress Report 2026,

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wages can be sustained without weakening competitiveness or continually passing higher costs to consumers.

The Malta Chamber of SMEs believes that any budgetary measures introduced should therefore be evaluated against a productivity test:

1. Does the measure save business or employee time?
2. Does it increase value added, quality, capacity or resilience?
3. Does it reduce dependence on additional labour for the same level of output?
4. Does it unlock private investment or improve the use of existing capital?
5. Does it reduce recurring administrative, transport or energy costs?
6. Is it accessible to micro and small enterprises?

1.5 SME Barometer

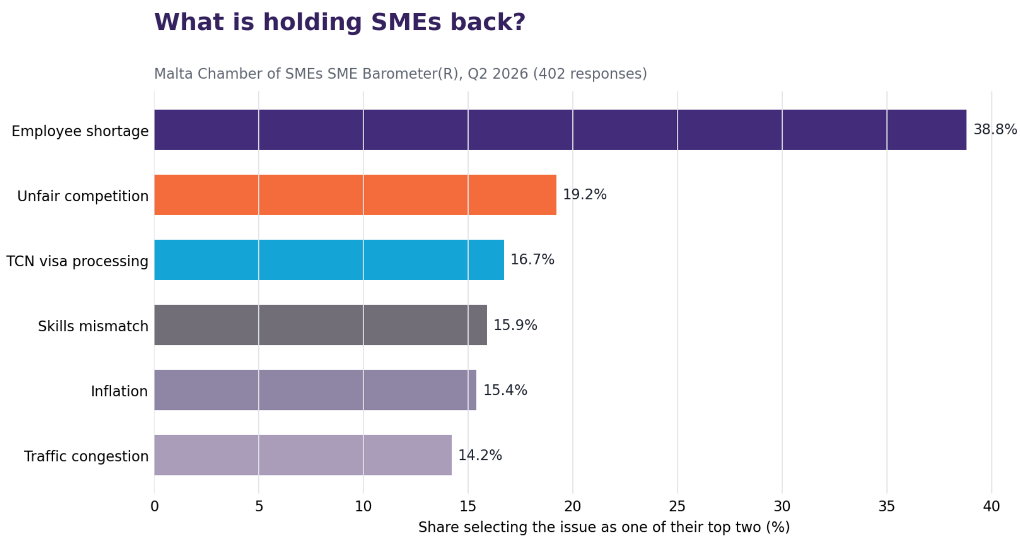

Figure 3. Top business challenges, Q2 2026

Source: Malta Chamber of SMEs and MISCO, SME Barometer Q2 2026. Base: 402; respondents selected two issues.

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The Q2 2026 SME Barometer findings are consistent with the official labour data. Employee shortage remains the most frequently selected business issue. Labour shortage becomes progressively more problematic the larger the company is, while respondents operating alone are more likely to report unfair or excessive competition and lower client demand[14].

Budgetary measures must therefore address all realities, some businesses need labour-saving investment and management capability;, fair-market access or a viable growth pathway.

Traffic, Skills mismatch, Unfair and Over-regulation all contribute towards bringing productivity down.

The Q2 SME Barometer records deep investment uncertainty. Only 21.6% considered the next twelve months a good time to invest, 21.6% did not, and 56.7% were unsure[15].

Budget measures must combine affordability with predictable rules, clear timelines and confidence that compliant investment will not be undermined by inconsistent enforcement.

Unfair competition is principally an enforcement problem

Respondents selecting unfair competition as their biggest issue their business is facing where asked where their issue is deriving from. Non-compliance, inconsistent enforcement, illegal or undeclared activity and unequal obligations account for the majority of explanations[16].

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[14] https://www.smechamber.mt/wp-content/uploads/2026/08/SME-Barometer-Q2-2026-.pdf - page 5

[15] https://www.smechamber.mt/wp-content/uploads/2026/08/SME-Barometer-Q2-2026-.pdf - page 13

[16] SME Barometer 2026 Q2

Tax relief to encourage capital to remain in the business

Businesses were also asked how they would use their funds if the government had to lower the effective tax rate. Businesses employing one to nine persons were less likely than medium-sized respondents to select growth reinvestment and more likely to select reserves, wages or recruitment[17].

1.6 Fiscal responsibility and value for money

The 2026 Minstry for Finance Annual Progress Report records a general government deficit of 2.2% of GDP in 2025, improving from 3.4% in 2024, with a projected deficit of 1.6% in 2026. Debt stood at 46.4% of GDP in 2025 and was projected at 45.8% in 2026[18]. This performance provides a stronger platform for productive reform.

Budget 2027 should therefore:

- Target at identifying market failures faced by SMEs;
- co-finance, with higher support intensity for micro enterprises;
- Incentivise private investment;
- Aim to generate and collect more tax

The Malta Chamber of SMEs' Budget 2027 proposals are structured around five interconnected pillars:

- Incentivising Investment;
- Proportionality, Good Governance and Fair Competition;

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[17] SME Barometer 2026 Q2

[18] Ministry for Finance, Annual Progress Report 2026

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- A productivity Driven Policy;
- Energy and Resource Efficiency; and
- Transport and Mobility

Together, these pillars set out a practical framework to reduce barriers faced by SMEs, strengthen competitiveness and create the right conditions for businesses, particularly micro and small companies to invest, innovate and grow sustainably.

1.7 Establishing a Taskforce on Malta’s Long-Term Priorities

The Malta Chamber of SMEs proposes the establishment of a cross party taskforce bringing together representatives of both political parties to discuss and reach agreement on the key issues that are important for Malta’s long-term future.

The aim would be to create a space where both parties can work together to identify the country’s main challenges, agree on a common way forward and support the implementation of the necessary measures over the long term.

Malta faces a number of challenges that require decisions and action beyond a single electoral term. A cross party approach would help provide greater stability and continuity, ensuring that important work can continue irrespective of which party is in Government.

Such an approach would also allow both parties to support measures that are in the national interest, even where these may not always be popular in the short term. Reaching agreement beforehand would reduce the risk of important national decisions becoming subject to political competition and would place the long-term interests of Malta and its people at the centre of the process.

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Pillar 1: Incentivising Investment & Compliance

Incentivising Investment

Investment is essential to improving productivity, strengthening business resilience and supporting sustainable economic growth. The Malta Chamber of SMEs is therefore putting forward a series of proposals aimed at creating a fairer and more investment-friendly environment by reducing unnecessary tax and cash-flow pressures, encouraging the reinvestment of profits, improving access to finance and rewarding businesses that invest in their workforce, digitalisation, innovation, productivity and long-term growth. Direct fiscal support towards investments that increase capacity, quality, resilience, or value added.

Budget 2027 should therefore reduce the effective tax burden on qualifying, compliant SMEs through a scale-neutral design through two main channels:

- A predictable baseline reduction calculated on a capped tranche of taxable profit, rather than a hard turnover threshold that removes the entire benefit when businesses grow or due to their nature; and
- An enhanced Productivity Reinvestment Allowance or credit for profit retained and invested in verified productivity-enhancing activity.

When businesses where asked how they would use additional profit if the government decided to lower the effective tax rate, 53.0% selected growth, 19.4% reserves, 13.9% wages or recruitment and 10.7% debt reduction; 2.0% selected owner distribution[19].

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[19] https://www.smechamber.mt/resources/sme-barometer-results-q2-2026-presentation/

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These are stated intentions, not proof of additional investment, so the relief must be costed and evaluated.

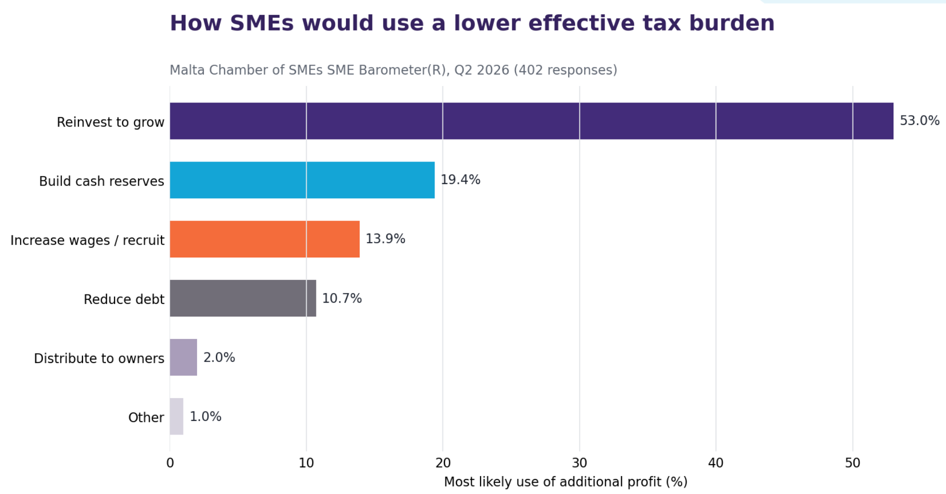

Figure 4. Intended use of a lower effective tax burden

Source: Malta Chamber of SMEs and MISCO International, SME Barometer Q2 2026. Base: 402.

Incentivising Compliance

A large share of Malta's corporate taxpayers do not file their annual tax return. In 2025, 47% of corporate income tax returns were left unfiled, 5% were filed late, and only 48% were filed on time. Over half of all corporate returns therefore missed the statutory deadline, and almost half were never filed at all.

This is neither a one-off nor an improving picture. In 2024 the split was much the same: 52% on time, 4% late, 43% unfiled. Set the two years side by side and the position has, if anything, worsened. On-time filing has slipped from 52% to 48%, and the proportion of returns never filed has risen from 43% to 47%. The problem is structural, and the trend is moving the wrong way.[20]

The MTCA has already tried a range of measures, including better digital systems and e-filing, more taxpayer communication and engagement, and the audit exemption for

[20] Sources: MTCA corporate income tax filing statistics for 2025; MTCA Annual Report 2024 (2024 comparative).

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the smallest companies. These are worthwhile, but they have not arrested the decline in filing compliance.

The proposals being presented work on the incentives around filing and on how the Administration directs its attention. These reward taxpayers who file on time and keep a clean record and gives chronic non-filers a structured route back into compliance while protecting the service the compliant majority receives. Additionally, the SME Chamber is proposing giving the corporate service providers who file for most companies a proper channel to clear the problems that hold filings up.

The approach also answers a finding from the Q2 2026 SME Barometer, where the largest group of respondents put unfair competition down to businesses that avoid proper compliance to keep their costs low. Rewarding the compliant majority is, in that sense, also a fairness measure.

All measures therefore aim to:

- Reward compliance and good practice; and
- Keep every requirement proportionate.

Investment incentives and stronger compliance must work hand in hand. Budget 2027 should reduce the effective tax burden and support productive reinvestment, while ensuring that benefits are directed towards businesses that file on time, maintain good standing and meet their obligations.

This approach would reward responsible enterprises, encourage non-compliant businesses to regularise their position and create a fairer environment in which compliant SMEs are not placed at a competitive disadvantage. The below proposals aim to achieve this balance.

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Proposal 1: Tax Reduction

The Malta Chamber of SMEs has long advocated a reduction of corporate income tax as a means of encouraging growth, compliance and creating a more equitable playing field with foreign owned companies.

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.

The Malta Chamber of SMEs therefore proposes that corporate tax rate is reduced from 35% to 25% across the board.

Proposal 2: Deferred Tax Rate

A reduced corporate tax rate of 15% is made available to Small and Medium-sized Enterprises (SMEs), based on the EU SME Definition; businesses that employ under 250 Employees or have a turnover of less than Euro 50 million or a balance sheet of less than Euro 43 million[21].

The Deferred tax rate will be subject to Good Standing: The company must be tax compliant in order to be eligible for this preferential rate. Retained / Re-invested Profits: The reduced rate of 15% will apply to profits that are not distributed as

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[21] https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en

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dividends, therefore linking the tax benefit to profit retention and re-investment for growth and resilience. In the case of a dividend distribution, the 25% tax rate will apply.

This targeted tax structure directly stimulates growth by incentivising productive reinvestment over short-term profit distribution. It simultaneously builds SME resilience by encouraging the creation of internal capital buffers, making businesses less vulnerable to economic downturns. Moreover, the above proposal stimulates scaling of businesses, encourages innovation, decarbonization, workforce upskilling and investments in digitalisation.

Proposal 3: Tax Deductibility of National Insurance Contributions

Under the current system, the maximum rates of national insurance (NI) contributions are triggered at an income level of €29,083.36. Consequently, a self-employed individual earning €29,083.36 pays the same NI contribution as someone earning €100,000. Maximum tax and NI rates are triggered at an earnings level that is too low, especially when one considers the significant increase in the cost of living. Furthermore, self-employed individuals cannot deduct their annual NI contributions as an expense in their profit and loss accounts.

To alleviate the financial burden on self-employed individuals, we propose making national insurance contributions tax deductible, thereby reducing their overall tax liabilities and further incentivising entrepreneurship and job creation.

Self-employed individuals should therefore be allowed to enter their annual NI contributions paid as a tax-deductible cost in their profit and loss account.

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Proposal 4: Extending Tax In Danger Limits

Extending the "Tax in Danger" limits to encompass various investment activities beyond traditional brick and mortar works and lowering the threshold from €70,000 to €50,000

One effective way to incentivise investment in the current economic landscape is through tax policies that alleviate cash flow burdens and bureaucracies on businesses. One such policy is the Tax in Danger provision, which provides exemptions on VAT charges for certain investment-related expenses, typically in the construction of immovable property.

Currently, there isn't a law stipulating the threshold and conditions for one to apply and be eligible for the Tax in Danger provision, and the granting of such provision is completely at the discretion of the MTCA.

This provision empowers the Commissioner with the authority to issue a written notice to both parties involved in a supply contract under specific conditions. These conditions include the contract's value being more than €70,000 and the customer having the right to deduct input VAT. When the commissioner issues this notice, it essentially means that the person receiving the supply is treated as if they supplied it to themselves. This means that instead of the supplier charging VAT on the supplies mentioned in the contract, the customer receiving the supplies needs to add VAT, essentially self-charging VAT. At the same time, they can deduct this VAT they've added as input VAT. In simpler terms, this provision essentially allows for an exemption of VAT on such transactions, whereby the supplier does not charge VAT. This does not represent any loss of tax revenue for the tax authorities, since the VAT that would have been charged would have been claimed back by the customer just the same.

This provision helps the customer in better cash flow management, thereby incentivising investments. However, there is a significant limitation to the current application of Tax in Danger limits. As an example, this exemption does not apply to the purchasing of furniture. This highlights the need to broaden the scope of this policy and standardise its

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requirements and eligibility criteria. The proposal aims to extend the Tax in Danger limits to encompass a wider range of investment activities and possibly lower the threshold to make it more accessible to businesses.

This expansion would allow businesses to benefit from VAT exemptions on any investments made, lowering the threshold to ensure that more businesses can avail themselves of this incentive.

Businesses seeking to benefit from VAT exemptions would be required to maintain clean compliance records, thus incentivizing adherence to tax regulations and improving overall compliance rates.

Proposal 5: Introducing a VAT Domestic Reverse Charge

The current VAT system requires businesses to pay VAT on purchases and then reclaim it later, creating cash flow challenges and administrative burdens. This conventional approach can hinder business operations, particularly for small and medium-sized enterprises (SMEs), and often results in delays and complexities for both businesses and tax authorities. Additionally, maintaining compliance and embracing digitalisation remain significant challenges within the VAT system.

This presents an opportunity to introduce a VAT reverse charge mechanism which would alleviate cashflow pressures, reduce administrative complexities, and streamline the VAT process for businesses, facilitating greater compliance and encouraging digitalisation within the VAT system, without impacting the government's revenues.

Similar to existing practice in transactions with suppliers from other EU countries, a domestic reverse charge mechanism could be introduced for B2B transactions among local VAT registered entities, resulting in no VAT being charged and subsequently no VAT being claimed.

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Taxpayers could also be required to adopt an e-invoicing system to make use of this mechanism. This not only aligns with modern business practices but also lays the groundwork for the eventual transition to mandatory e-invoicing, as issued in the European Commission's 2022/0407 (CNS) Directive, that lays out a series of measures to modernise the EU's VAT system by January 2028.

This mechanism can significantly help businesses manage their cashflow more effectively without impacting government revenues.

Proposal 6: Reduced Tax Rate on Overtime

The SME Chamber proposes that the current 15% tax rate for the first Euro 10,000 pegged at a minimum basic weekly wage of Euro 375 weekly is changed. In this regard the SME Chamber proposes that; Tax on overtime is reduced from 15% to 10% on the First Euro 15,000 pegged at a basic weekly wage of Euro 500.00 and adjusted annually based on C.O.L.A.

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.

In addition to this, it is also being proposed that the capping is increased to Euro 15,000 (for Overtime and Part-time work) and Euro 17,000 respectively (for part-time self-employed.

Proposal 7: Business Investment Scheme

The Malta Chamber of SMEs proposes an investment scheme for the general public to lend local businesses up to a certain threshold.

The Scheme will be open to SMEs (set-up as a legal entity or self-employed) that are:

- Established and Operational in Malta; and
- Can borrow up to Euro 250,000 (Combined)
- Need to be of Good Standing

Lender (General Public) can grant one or more micro loans up to a maximum of Euro 50,000 per year up to a total of Euro 250,000 across all loans;

A minimum interest between 2.25% and 4.50%

Government Incentive:

- The lender will benefit from an annual tax credit of 4% for the first three years and then 2.5% for the remaining years (Up to 8 years).
- The Lender can benefit from a one-off tax credit of 50% on the definitively lost principal, for example in the event of bankruptcy. This tax credit increases to 60% if the borrower is a business that focuses its activity on digital or green initiatives.

To encourage more diversified investment, it is being suggested that lending for the purchase of property should not be eligible.

Proposal 8: Founder Reinvestment and Entrepreneurial Incentive

Successful founders who sell or exit a business possess capital, commercial experience and a practical understanding of the risks involved in building a successful business.

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They are therefore well placed to invest in new ventures, support other entrepreneurs and contribute to the development of Malta's business ecosystem.

Without an appropriate incentive, the proceeds and experience generated through successful exits may not be reinvested in productive Maltese economic activity.

The Malta Chamber of SMEs proposes that Budget 2027 should introduce a Founder Reinvestment Relief program encouraging entrepreneurs to reinvest proceeds from qualifying business exits into start-ups and growing SMEs carrying out substantive economic activity in Malta.

The relief could provide:

- deferral or reduction of capital gains tax on the proportion of exit proceeds that is reinvested;
- preferential capital gains treatment for qualifying sales of active trading businesses;
- eligibility for direct equity investments, qualifying convertible instruments or approved start-up investment funds;
- partial relief where only part of the proceeds is reinvested; and

Priority should be given to productive investments that support innovation, digitalisation, internationalisation and business growth.

Proposal 9: VIDA Readiness Scheme

The EU's VAT in the Digital Age (ViDA) package will introduce digital reporting requirements for cross-border B2B transactions from 1 July 2030, supported by mandatory e-invoicing. Although implementation remains several years away, businesses particularly micro and small enterprises need sufficient time and support to upgrade their

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systems, train employees and adopt interoperable solutions gradually and in time with the EU requirement.

The Malta Chamber of SMEs proposes the introduction of a VIDA Readiness Scheme of a cash grant up to €10,000 for investments that help businesses prepare for and comply with ViDA. The measure should support early adoption while ensuring that digitalisation results in simpler processes, better accountability and less duplicated reporting.

Eligible expenditure should include:

- ViDA-compatible accounting and structured e-invoicing software;
- connectors and API integrations between existing accounting, invoicing and reporting systems;
- system configuration, data migration and process redesign;
- secure digital storage, data protection and cybersecurity improvements;
- consultancy to assess compliance gaps and select appropriate solutions;
- employee and owner-manager training; and
- technical assistance during implementation.

Support intensity should be highest for sole traders, micro enterprises and sectors with lower levels of digital maturity. Eligible systems should meet recognised interoperability standards, remain affordable after the support period and avoid requiring businesses to submit the same information manually through multiple systems.

Proposal 10: Legal Modernisation for Regulated Crowdfunding

Article 209 of Malta's Companies Act requires a private company to restrict share transfers, limit its members to fifty and prohibit invitations to the public to subscribe for

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shares or debentures[22]. These features can create practical uncertainty for equity crowdfunding campaigns involving a larger number of investors.

The European Crowdfunding Service Providers Regulation (ECSPR) establishes a harmonised framework for investment-based and lending-based crowdfunding. It covers offers within an aggregate EUR 5 million limit over twelve months and includes investor-protection requirements[23]. However, ECSPR does not by itself dictate or impose any restriction on the number of shareholders. A targeted national amendment is therefore needed if Maltese private companies are to use this channel with legal certainty.

The Malta Chamber of SMEs proposes a joint legal review led by the Malta Business Registry and the MFSA. The review should lead to a narrow statutory route for offers made under ECSPR. It should:

- Allow a qualifying private company to exceed the fifty-member limit solely as a result of an ECSPR-compliant offer;
- Permit the necessary invitation to investors only through a crowdfunding service provider authorised under ECSPR and lawfully operating in Malta;
- Clarify whether investors may be registered directly or through a compliant nominee or custody structure, while preserving transparent beneficial-ownership records;
- Retain the company's private status and existing restrictions for activities outside the qualifying crowdfunding offer; and
- Publish standard model articles, shareholder terms and filing guidance to reduce legal costs for SMEs.

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[22] Companies Act, Chapter 386 of the Laws of Malta, article 209. https://legislation.mt/eli/cap/386/eng/pdf

[23] Regulation (EU) 2020/1503 on European crowdfunding service providers for business. https://eur-lex.europa.eu/eli/reg/2020/1503/oj/eng

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Proposal 11: Taxpayer Points System administered by MTCA

Malta's tax administration works mainly by deterrence. Lateness attracts penalties and interest, but steady compliance earns nothing in return. The compliant majority of SMEs get no benefit from their reliability, while enforcement attention and administrative friction fall on everyone equally. That is inefficient for the MTCA and does nothing to nudge borderline taxpayers towards filing on time.

The Malta Chamber of SMEs proposes a taxpayer compliance-rating, or 'points', system administered by the MTCA. Every registered taxpayer holds a compliance score. Points are deducted for defined failures and restored over time through a clean record, and taxpayers are banded, with the band determining how the MTCA treats them.

Point deductions would attach to defined events including:

- late VAT, corporate income tax or FSS returns;
- late payment of tax due;
- late submission of the statutory audit or the tax return;
- failure to respond to MTCA notices within the stated period.

Banding would drive treatment, including:

- Top band: fewer audits and inspections, priority refund processing, a single point of contact, lighter documentation requirements, and a compliance mark the business can cite in tenders and financing;
- Middle band: standard treatment;

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- Bottom band: closer scrutiny, mandatory pre-filing engagement, and no access to certain grants or fast-track schemes until the rating recovers.

The score should also work in the taxpayer's favour when something goes wrong for the first time. A taxpayer in a good band, with a clean record and a healthy points balance, would not face an immediate fine for a one-off or first-time default. The lapse would draw down points and trigger a warning, with penalties reserved for repeated or persistent failure. This rewards a track record of compliance, and it reflects the reality that a single missed deadline is not the same as habitual non-filing.

The scheme should be presented in cooperative-compliance terms, offering facilitation and certainty in return for transparency and timeliness, rather than as a punitive score. It should include a clear route to repair a rating, so that an isolated lapse is not permanent.

Proposal 12: Tax credit for timely submission of year-end compliance obligations

Late submission of statutory audits and tax returns is common among Maltese SMEs. It creates backlogs for the MTCA, delays assessment and revenue, and puts compliant businesses at a disadvantage, since those that file late gain a cost and cash-flow edge over those that file on time. Deadlines are currently backed only by penalties, and for many small businesses the penalty is just a tolerable cost of delay.

The Malta Chamber of SMEs proposes the introduction of a modest, capped tax credit for taxpayers who file their full year-end package, the audited financial statements and the tax return, on or before the statutory deadline.

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Eligibility should be limited to otherwise-compliant filers with no outstanding returns or dues, so the credit rewards genuine reliability rather than selective compliance. The credit can be designed to include:

- a flat credit per timely filing, set against the tax due; or
- a capped percentage credit on the audit and accountancy fee, which recognises the compliance cost SMEs carry directly.

The measure works alongside Proposal 11: filing on time both preserves points and unlocks the credit. The direct fiscal cost is the credit value multiplied by the number of timely filers, and the cap and the rate keep it under control. It is partly self-funding: it reduces penalty-chasing and administrative cost, brings revenue in earlier, and lifts overall filing rates so that previously-late tax falls into charge sooner.

The credit should be costed against current on-time-filing rates, with a modelled behavioural uplift, and piloted within a capped budget. Limiting eligibility to genuinely on-time filers, and keeping the credit modest, contains the deadweight cost of rewarding those who would have filed on time in any case.

Proposal 13: Backlog Taxpayer Office

A sizeable tail of taxpayers falls chronically behind on filing and payment. At present these cases sit in the same queues as everyone else, absorb a disproportionate share of the MTCA's attention, and slow the service for compliant taxpayers, while their own arrears keep mounting with no structured way back. There is no dedicated function to separate, manage and rehabilitate them, and none to shield compliant taxpayers from the resulting congestion.

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The Malta Chamber of SMEs is proposing the setting up of a dedicated Backlog Taxpayer Office within the MTCA to separate chronically-behind taxpayers from the mainstream compliance stream and work them back to good standing on a case-managed basis.

The unit would:

- give each taxpayer an individual recovery plan with realistic milestones and timelines;
- provide case-managed support to bring filing and payment up to date;
- charge an annual administration fee, so that staying in the unit indefinitely carries a cost and taxpayers have a reason to work their way out;
- return the taxpayer to the mainstream on successful rehabilitation, with points restored under Proposal 11.

Through this measure MTCA ring-fence problem cases and, in doing so, give the compliant majority a faster, cleaner service.

Proposal 14: Dedicated CSP point of contact at MTCA

Corporate service providers, meaning accountants and tax advisors, file and manage compliance for large numbers of end clients, yet they have no dedicated channel to the MTCA. Their queries go to the same general taxpayer inbox that end clients use, which causes delays, duplicated correspondence and unresolved technical matters. In practice CSPs are the MTCA's compliance multipliers, and the lack of a proper channel wastes that leverage.

In order to expedite the process as much as possible, the Malta Chamber of SMEs is proposing the setting up of a dedicated CSP liaison function at the MTCA.

The aim of this would be to provide:

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- a named point of contact, or a dedicated channel, for registered CSPs, in place of the general taxpayer inbox. One option is a relationship-manager model, where each CSP is assigned a dedicated relationship manager as its single point of contact;
- a way for CSPs to resolve technical and case-specific queries directly and quickly;
- structured engagement in which the MTCA works with CSPs on portfolio-wide issues, deadline campaigns and problem cases, since a CSP can act across many clients at once.

  Access could be tiered by CSP standing, linking back to Proposal 1, so that well-rated CSPs and portfolios move through faster.

Corporate Service Providers are high-leverage intermediaries, as an effective communication channel with one practitioner can improve compliance across an entire portfolio of clients. A dedicated channel would allow the MTCA to engage directly with practitioners whose clients are consistently in default, addressing recurring problems at their source rather than pursuing each company separately. It would also reduce duplicated correspondence and the volume of incoming queries, while enabling faster resolution of technical issues that may otherwise result in inadvertent non-compliance.

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Pillar 2: Proportionality, Good Governance and Fair Competition

A fair and productive business environment requires good governance, proportionate regulation and consistent enforcement. The proposals under this pillar seek to ensure that compliant SMEs are not placed at a disadvantage by unequal enforcement, inaccessible public procurement practices, outdated thresholds or obligations that do not reflect the size and practical realities of smaller businesses.

The objective is to create a level playing field in which rules are transparent, public authorities remain accountable and regulatory burdens are proportionate.

Unfair competition was selected by 19.2% of Q2 respondents of the SME Barometer. Among respondents selecting this option, the most popular explanations concerned; non-compliance, public-sector competition and unequal enforcement[24]. The response must begin with enforcement and competitive neutrality, not compensatory grants.

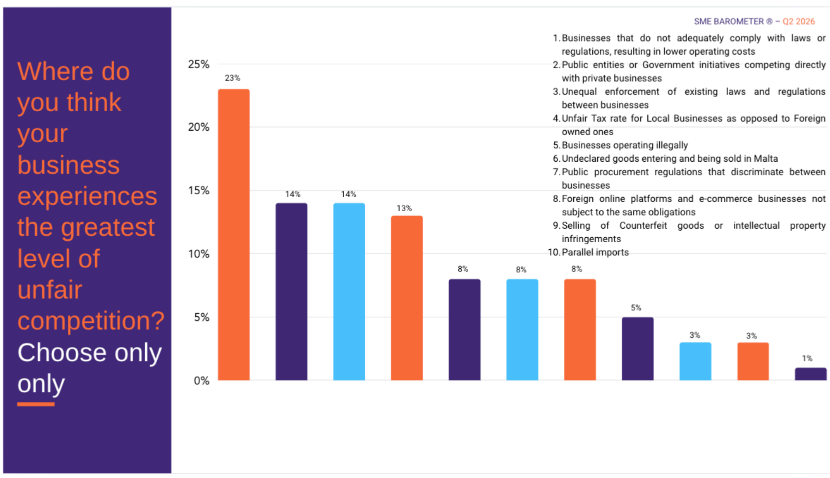

Figure 5. Why SMEs perceive unfair competition

Source: Malta Chamber of SMEs and MISCO International, SME Barometer Q2 2026.

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[24] https://www.smechamber.mt/wp-content/uploads/2026/08/SME-Barometer-Q2-2026-.pdf - page 5

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Proposal 15: Enforcement and public-sector competition

The Q2 Barometer points principally to non-compliance, public-sector competition and unequal enforcement[25]. Compliant firms should not be compensated for these disadvantages through further subsidies. Government should instead launch a Fair Competition Action Plan that:

- applies consistent customs and market-surveillance controls at all entry points;
- provides one confidential reporting channel with acknowledgement and closure standards;
- publishes quarterly, aggregated enforcement outcomes while protecting reporters;
- aligns inspection and sanction practices for equivalent risks;
- assesses competitive neutrality before a public entity or government initiative enters a commercial market or public tender;
- Promote price transparency to ensure added consumer protection;
- assesses material differences affecting local, foreign-owned and cross-border online operators, consistent with EU law.

The action plan should distinguish aggressive but lawful competition from unfairness caused by illegality, unequal obligations, selective enforcement, or public subsidy. Government should not protect companies from normal market entry or lower prices; it

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[25] https://www.smechamber.mt/wp-content/uploads/2026/08/SME-Barometer-Q2-2026-.pdf - page 6

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should ensure that competitors face equivalent rules and that public intervention does not distort the market.

Proposal 16: Public Procurement Fairness & Accessibility

Although tenders may appear fair at face value, they are often not accessible to many businesses, particularly Small and Medium Enterprises (SMEs) and smaller investors.

This is due to several barriers, such as high financial requirements, complex application processes, and the tendency to favour larger, well-established companies. As a result, smaller businesses are frequently excluded from participating, limiting competition and innovation. Additionally, the focus on the lowest price rather than the best value can lead to suboptimal outcomes for public projects. To address these issues, reforms are needed to make tenders more inclusive, transparent, and focused on quality, ensuring that all businesses, regardless of size, have a fair opportunity to compete. The SME Chamber Proposes:

- BPQR System for Adjudication
- Smaller Lots for Tenders:
- Revision of Financial Requirements for Tenders
- Enforce payment terms and balanced contract obligations.
- Simplify standard documents, guarantees and redress

Proposal 17: Independent procurement Watchdog

Public procurement is a critical component of government operations, involving the acquisition of goods, services, and works from external suppliers. However, the current

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system faces several challenges, including a lack of transparency, inefficiencies in the adjudication process, and barriers for smaller businesses and green initiatives.

Although the current regulations cater for a pre-contractual remedy. The exercise of this remedy costs 0.05% of the estimated financial value of the potential public contract is to be paid, which is capped at €50,000. This is normally limited to businesses who have the financial capacity to submit this complaint and more often discourage smaller businesses from following through.

An independent procurement watchdog or strengthened existing oversight function should examine recurring procedural problems, direct orders, inadequate specifications, unfair terms and non-performance in tenders.

The Watchdog would be able to look into specific reports and issue recommendations to improve the overall procurement procedure and regulations.

Proposal 18: Self-Adjusting Mechanism

Introduce a self-adjusting mechanism (based on annual inflation rates) for certain business benefits such as Fringe benefits Rules and benefits related Workplace Accessibility amongst others.

This would ensure that any fringe benefits and incentives for businesses truly reflect the value of any particular year, rather than having to adjust these amounts manually through rigorous and overburdensome review.

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The percentage increase introduced would be in discussion with social partners and reflecting the general inflation rates or any other more accurate means of measure available.

Proposal 19: Review and Revamp the Persons with Disability (Employment) Act

The current framework of the Persons with Disability (Employment) Act, while well-intentioned in its aim to promote inclusion, in the current labour market it is creating significant and often disproportionate burdens for SMEs. For these businesses, often operating with limited administrative capacity and tight financial margins, the regulatory requirements can feel overwhelming and misaligned with their practical realities.

Furthermore, the financial contribution, while intended as an incentive, can instead be perceived as a penalty that strains limited cash flow, especially when the business may already be informally accommodating employees with varying needs without a formal framework.

The current regulatory framework bases its inclusion quota on a company's total workforce, without accounting for the practical realities of specific job roles. This calculation includes positions that are physically intensive or classified as high-risk roles which, in practice, many persons with disabilities available in the labour market are understandably unable to perform due to legitimate physical or safety constraints. In this regard, any quota set should exclude such job designations.

This creates a fundamental bottleneck for businesses that have set targets that do not align with the actual suitability of their available job openings.

As a result, these companies often find themselves unable to meet the quota not through lack of willingness, but simply because the roles they need to fill are not accessible to the current pool of candidates with disabilities. Businesses in such scenarios are constrained to pay the contribution nonetheless to ensure compliance.

Moreover, there is a huge mismatch between the current job labour market realties and the number of registered persons with disability looking for employment. In this regard it is being proposed that the set threshold to apply the quota is increased from 20 employees to 50 employees.

Additionally, it is also recommended that the Financial Incentive[26], for employers equivalent to 25% of the person's basic wage, up to a maximum of €4,500 (equivalent to 25% of €18,000) for each person with a disability employed, is increased to 50% of the person's basic wage, up to a maximum of €12,900 (which reflects 50% of the average salary in Malta (labour force Survey Q4/2025)[27].

The SME Chamber therefore recommends this legislation, in consultation with social partners is thoroughly reviewed to reflect the current realities with the goal remains; to make inclusion achievable and attractive for businesses without creating a regulatory hurdle.

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[26] https://jobsplus.gov.mt/funding-employer/fiscal-incentive-scheme

[27] https://nso.gov.mt/labour-force-survey-q4-2025/

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Pillar 3: A Productivity Driven Policy

Improving productivity requires more than investment in technology; it also depends on efficient regulation, accessible skills, effective workforce management and public services that support businesses rather than burden them.

The Malta Chamber of SMEs is therefore proposing practical measures to accelerate digitalisation, simplify compliance, reduce administrative duplication, increase employee retention, improve access to talent and training, and help SMEs create more motivated, resilient and productive workplaces.

Proposal 20: Mandatory SME Test

Every new domestic law, regulation, license condition and major administrative procedure that does not simply reproduce an unavoidable EU obligation should include a published SME Test. Although the law already specifies the SME Test assessment, this does not define how the test should take place or be measured. The assessment should distinguish between sole traders, micro, small and medium enterprises and should quantify, as far as possible:

- the time and direct cost of compliance;
- the data, professional services and systems required;
- whether less burdensome alternatives are available;
- whether a transition period or simplified micro regime is justified;
- the cumulative effect when combined with existing obligations.

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No proposal should proceed to final approval without explaining how the think-small-first principle has been applied. The SME Test should form part of the consultation process, not be completed after the main decisions have already been taken.

Proposal 21: Regulatory Stocktake

During 2027, Government should identify and review the main legislations which account for added bureaucracy and administrative work focusing on tax, employment, licensing, statistical reporting and environmental requirements. It should consolidate duplicate returns, remove obsolete requirements, and apply risk-based inspection and renewal cycles.

The stocktake should also consider:

- a wider review of audit and assurance requirements for the smallest low-risk businesses;
- automatic indexation of fixed thresholds and benefits where inflation has eroded their value;
- longer licence durations for consistently compliant, low-risk operators;
- common definitions and evidence requirements across authorities;
- a clear service standard for every application and renewal.

Proposal 22: Once-Only Principle – Business Account

The recently announced Malta Business Wallet by MBR earlier this year introducing the Once only principle in relation to due diligence, should be further expanded to other areas of business. Government should implement the Once-Only principle through a secure digital business account. Information already held by one public entity should be pre-filled or retrieved for another lawful purpose, subject to data-protection and

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access controls. The initial release should cover common data used by the Malta Business Registry, MTCA, Jobsplus, Identita, Malta Enterprise and selected licensing authorities.

The account should provide:

- one verified business profile;
- one document wallet;
- one view of applications, payments, renewals and deadlines;
- pre-filled forms and a record of which authority accessed each item;
- notifications written in plain language;
- assisted-digital support for businesses that need it.

Proposal 23: TCN One-Stop Shop

Employee shortage was the leading business issue in Q2 2026 at 38.8%, while TCN visa processing was selected by 16.7%[28]. Recruitment remains necessary, but it must be a bridge to a model that uses skills, technology and management more effectively.

While it is understood that the employment of TCNs requires rigorous check from authorities to safeguard the country's national security, the current process is more often fragmented with numerous entities involved. The new labour migration policy brought about a number of positive results, especially with the quality of TCNs coming to Malta and with a special focus to sustain and safeguard our country's national identity and patrimony, this came at a cost for employers, financially, regulatorily and administratively. The Malta Chamber of SMEs proposes the establishment of a dedicated one-stop-shop for SMEs to recruit Third Country Nationals (TCNs).

[28] https://www.smechamber.mt/wp-content/uploads/2026/08/SME-Barometer-Q2-2026-.pdf - page 5

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This service would guide businesses through the entire process from initial application to final approval; ensuring clarity, efficiency, and compliance. Under the proposed model, an SME would be assigned to a single, competent officer who understands all relevant criteria, checks, and sector-specific requirements. This officer would act as the business's main point of contact, navigating the complex regulatory landscape on their behalf. This would heavily reduce the administrative burden on both SMEs and entities and reduce the costs involved.

Proposal 24: Incentivise Employee Wellbeing

Often incentives catered at addressing team dynamics are often excluded from Training and are regarded not necessary for the sustainability of businesses.

With the increased new forms of work, including remote working and work from home, managing people continues to prove challenging for employers.

The SME Chamber therefore proposed incentives for employers to create safe and professional team building activities, the aim of this would be to create a sense of purpose and strengthening teams within the business and also to address mental health and detachment issues; all having an impact on productivity.

Existing Schemes, Grants and Financial Incentives should therefore be created and made available for employers to access these services.

Proposal 25: Productivity Tech Kit

Sole traders and micro and small enterprises often rely on manual or disconnected systems for accounting, invoicing, stock control, scheduling, and customer management. This consumes productive time, increases the risk of errors, and makes it more difficult for businesses to comply with legislation.

Purchasing software alone is not enough. Businesses also need assistance to select the correct tools, configure them properly, transfer existing data and train their employees.

Mechanism:

Budget 2027 should introduce a simple Productivity Tech Kit Grant covering a bundled package of essential cloud-based productivity tools and implementation support.

Eligible expenditure should include:

- accounting, bookkeeping and structured e-invoicing software;
- inventory, purchasing and point-of-sale systems;
- employee scheduling and workforce-management tools;
- customer relationship and order-management systems;
- secure document storage, data backup and basic cybersecurity;
- system configuration, integration and data migration;
- professional advice to select and implement suitable solutions;
- owner-manager and employee training; and
- technical support during the initial implementation period.

Support should include an assessment of existing systems, identification of any compliance gaps and assistance with the adoption of compatible solutions.

Support intensity should be highest for sole traders and micro enterprises. Initial software subscription costs should be eligible for the first 24 months, provided that the solution remains affordable once the grant ends.

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Proposal 26: Tax-Efficient Employee Share Option Scheme

Start-ups and growing SMEs often struggle to compete with larger businesses when recruiting and retaining highly skilled employees. While they may be unable to offer the same level of salary, they can offer employees the opportunity to participate in the future growth of the business.

The Malta Chamber of SMEs proposes the introduction of a tax-efficient employee share option scheme, enabling SMEs and start-ups to offer employees a meaningful stake in the future success of the business. Such a scheme would help employers attract and retain skilled employees while strengthening their motivation and sense of ownership.

By aligning employee rewards with business performance, the measure would encourage greater commitment, innovation and productivity, while supporting the sustainable growth of Maltese enterprises.

Budget 2027 should introduce a tax-efficient Employee Share Option Scheme for qualifying start-ups and SMEs.

Under the scheme:

- no tax should arise when a qualifying option is granted;
- taxation on exercising the option should be exempted or deferred;
- any increase in value should generally be taxed when the shares are eventually sold;
- qualifying options should be subject to an appropriate vesting or minimum holding period;
- limits should apply to the value of options granted to each employee; and
- Simplified valuation, reporting and legal documentation should be available to participating SMEs.

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Proposal 27: Individual Learning Accounts

Government should launch portable Individual Learning Accounts for persons of working age, including employees, self-employed persons and persons seeking to return to work. The accounts should provide periodic credits for accredited or quality-assured training and should remain with the individual when employment changes.

Priority areas should include:

- digital and AI literacy;
- supervisory and people-management skills;
- financial literacy and business planning;
- green and energy skills;
- sales, exporting and digital marketing;
- sector-specific technical skills;
- health, safety and inclusive employment.

The design should allow short, modular learning rather than requiring long absences from work. Micro employers should be able to combine the account with a wage-cost or replacement-cost contribution where releasing an employee training would otherwise be impossible.

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Pillar 4: Energy and Resource Efficiency

Improving energy and resource efficiency is one of the most effective ways for businesses to become more competitive while strengthening their resilience. Reducing energy, water and material consumption lowers operating costs and makes businesses less vulnerable to price volatility and supply disruptions.

Many SMEs are willing to invest in efficiency measures but often struggle to move from identifying opportunities to implementing them. Government support should therefore provide a clear pathway from energy audits to investment, while ensuring businesses have greater certainty on grid access and renewable energy projects.

Proposal 28: Ensuring Energy Resilience

Energy audits should not end with recommendations. Businesses that complete an approved audit should have direct and simplified access to grants or financing to implement the identified improvements. These should ideally be small investments which would ultimately have a big impact on the businesses implementing them.

Support should cover investments such as:

- Energy-efficient heating, cooling, refrigeration and motors;
- Water-saving technologies, water reuse and waste reduction initiatives.

Proposal 29: Supporting commercial and industrial energy storage

Energy storage has an important role in reducing peak electricity demand, improving energy security and enabling greater use of renewable energy.

Government should introduce dedicated support schemes that encourage businesses to invest in battery storage where it contributes to lower peak demand, improved

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renewable integration or greater business continuity. The wider benefits these projects provide to the electricity grid should also be recognised through appropriate financial incentives or contractual support.

Proposal 30: Improving grid access and creating a Renewable Energy One-Stop Shop

Businesses investing in renewable energy require greater certainty throughout the application and connection process.

Government should:

- Publish available grid capacity and indicative connection costs;
- Introduce a transparent and proportionate methodology for grid connection charges;
- Establish a dedicated one-stop shop through Business First for larger renewable energy projects;
- Coordinate the involvement of the Planning Authority, ERA, REWS, Enemalta, ARMS, Infrastructure Malta and Transport Malta;
- Publish service standards together with clear explanations whenever delays occur.

The expected outcomes include reduced energy and resource consumption across SMEs, increased private investment following the completion of energy audits, enhanced commercial and industrial energy storage capacity, faster and more predictable grid connection processes,

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Proposal 31: Reintroducing the ESG Grant

Environmental, Social and Governance (ESG) practices are becoming increasingly important for businesses of every size. Customers, investors and financial institutions are placing greater emphasis on sustainability, while European legislation is gradually raising expectations across supply chains.

Although larger organisations have started integrating ESG principles into their operations, many micro and small businesses still lack the expertise, time and financial resources to begin the process.

A previous ESG Grant helped businesses carry out their first ESG assessment, but uptake remained limited. Rather than discontinuing the initiative, it should be redesigned to make it more practical and attractive for SMEs.

The SME Chamber therefore proposes the reintroduction of the ESG Grant, allowing businesses not only to carry out an ESG assessment but also to engage professional advisors who can recommend practical improvements and identify funding opportunities to implement them.

This approach would help micro and small businesses become more sustainable while ensuring they receive both the technical guidance and financial support needed to put recommendations into practice.

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Pillar 5: Transport and Mobility

Traffic congestion continues to be one of the biggest challenges affecting business productivity in Malta. It increases travel times for employees, delays deliveries and service calls, and raises operating costs for businesses across all sectors.

The objective should not simply be to reduce traffic but to minimise the productive hours businesses lose every day due to inefficient mobility. This requires providing practical alternatives to private car use while improving the reliability of the transport network.

Proposal 32: Smart Traffic Package

Unlike large employers, micro and small businesses rarely have enough employees travelling from the same area to organise company transport.

Government should therefore introduce mobility wallets or vouchers for employees who regularly use public transport, shared transport, cycling, walking or sea transport.

At the same time, small businesses should be able to access grants that support practical workplace measures such as:

- Secure bicycle parking;
- Flexible working schedules;
- Employee mobility coordination;
- Other initiatives that encourage sustainable commuting.

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Proposal 33: Improving multimodal transport

On the work already being carried out, Investment should be continued on making alternative transport options more reliable, convenient and connected.

Priority measures include:

- More frequent services using appropriately sized buses;
- Reliable real-time passenger information;
- Better connected park-and-ride facilities;
- Greater integration between sea transport and bus services;
- Safer walking and cycling infrastructure for shorter journeys;
- Improved accessibility for persons with reduced mobility.

Proposal 34: Incentivising Smarter Travel Choices

Many employees continue to rely on private vehicles for commuting due to limited alternatives or because employer-provided mobility benefits are not structured in a flexible manner.

The current concept of a car cash allowance fringe benefit is also primarily linked to private vehicle use. However, as mobility patterns evolve, businesses should have greater flexibility to provide employees with alternative mobility support that reduces reliance on individual car ownership and contributes to lower congestion. Such measures should be financially incentivised.

The Malta Chamber of SMEs recommends the Government to either review and expand the definition and scope of the car cash allowance to allow employers to provide a wider range of mobility benefits to employees, while maintaining the same tax treatment, or alternatively develop a new fringe benefit dedicated for flexible mobility. Currently the beneficiary receives a tax-free allowance of 50% deduction with

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a maximum of €1,170 per year. The 50% deduction could possibly be increased to 75% to help users opt for this option.

The definition should allow employees to use such allowances for alternative transport options, including:

- Taxi and ride-sharing services;
- Cycling and active mobility solutions; and
- Electric vehicle charging expenses;

This would reduce dependency on private vehicles, lower parking demand at workplaces, increased uptake of sustainable transport options, greater flexibility for employers in attracting and retaining employees, and reduced congestion during peak commuting hours.

Proposal 35: Off-Peak Vehicle Registration

Government should introduce a new vehicle registration category with reduced annual license fees for vehicles that are voluntarily restricted from travelling during the busiest periods of the day.

The scheme could apply to vehicles that do not operate during peak hours, such as those used by retirees, businesses, employees and self-employed individuals with flexible working arrangements, and certain delivery operators.

By encouraging non-essential journeys to take place outside the morning and afternoon rush hours, the measure would help distribute traffic more evenly throughout the day without limiting essential transport activity.

The Malta Chamber of SMEs believes that having fewer vehicles on the road during peak hours will lead to improved traffic flow, reduced journey times for businesses and commuters, and lower emissions resulting from reduced congestion.

Proposal 36: Improving the Uptake of Free School Transport

The SME Chamber strongly believe to include measures to utilise the free school transport service and reduce the number of private vehicles on the road during peak hours.

While free school transport is available to encourage parents to make use of shared transport rather than driving their children to school, there are instances where parents register their children for the service but continue to use their private vehicles. This can result in school transport vans operating with very few passengers or, in some cases, almost empty, while the parents who registered for the service continue to contribute to traffic congestion during peak hours.

This situation reduces the effectiveness of the investment in free school transport and limits its potential to reduce the number of vehicles on the road.

The SME Chamber therefore proposes the introduction of a reasonable registration fee or charge for users who register for the service but repeatedly fail to make use of their allocated transport without providing a valid reason. The measure would encourage parents to only register for the service when they genuinely intend to use it, while ensuring that available capacity is used more efficiently.

Appropriate exemptions could be considered for legitimate circumstances, such as illness or other unforeseen situations. The objective of the proposal is not to penalise parents but to encourage responsible use of the service, improve the school transport operations and reduce the number of private cars on the road during peak hours.

Proposal 37: Night-Time Waste Collection

Waste collection should gradually be shifted to late evening and night-time hours, where operationally feasible, for example between 21:00 and 01:00.

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Moving collection vehicles away from peak traffic periods would reduce the number of heavy vehicles using the road network during the busiest parts of the day, improving traffic flow while making waste collection operations more efficient.

Implementation should be carried out in consultation with local councils, waste operators and residents to minimise disturbance through appropriate scheduling, quieter equipment and operational safeguards.

The expected outcomes include reduced congestion caused by waste collection vehicles during peak hours, smoother traffic flow across key routes, lower fuel consumption and vehicle emissions, and more efficient waste collection operations.

Proposal 38: Maximising Logistics

The efficient movement of goods is essential for business productivity. Malta's island geography and Gozo's double insularity inevitably increase transport costs, making it even more important to reduce unnecessary delays and improve logistics efficiency.

Support should therefore focus on reducing journey times, improving reliability and making better use of existing infrastructure.

<u>Incentivising Off-Peak Deliveries:</u> Businesses that can safely move deliveries outside peak traffic hours should receive temporary tax credits or grant support to offset additional operating costs, including overtime, quieter equipment and secure receiving systems. The scheme should target sectors and routes where shifting deliveries can clearly reduce congestion.

Improving logistics operations: Government, together with industry operators, should assess measures including:

- longer or better aligned Freeport operating hours with the opening of gates starting at 04:30 AM;
- Improving the utilisation of existing Malta Freeport gates supported by investment in additional security measures;

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- Shared delivery hubs in high-density commercial areas;
- A dedicated trailer park; and
- Better enforcement of loading and unloading bays through camera technology.

The aim of this is to ensure that the country is maximising on its time and space available through ensuring that activity is spread more efficiently, improve reliability and reduce unnecessary delays.

Proposal 39: Strengthening Gozo freight connectivity

Gozo's competitiveness continues to be affected by its dependence on a single maritime gateway. The SME Chamber proposes the establishment of a Gozo Logistics and Connectivity Compact, including:

- A dedicated freight and consolidation hub;
- Better separation between freight, passenger and tourism traffic;
- More resilient maritime connectivity and contingency planning;
- Digital booking systems with priority access for essential goods;
- Better integration between freight services and public transport;
- Long-term expansion and safety improvements at Mġarr Harbour.

At the same time, improving connectivity should go hand in hand with economic diversification. Investment in digital infrastructure, remote working facilities and sector-specific business clusters can help Gozo attract higher-value economic activity that is less dependent on physical transport.

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Conclusion

Malta's economic achievements provide a strong base, but the next stage cannot depend primarily on more people, more journeys, more paperwork and more pressure on limited infrastructure and resources. The official outlook shows a clear need to strengthen the productivity contribution to growth, while the Q2 SME Barometer and NSO labour-market data demonstrate that business constraints vary sharply by firm size and stage of growth.

Budget 2027 should therefore be measured by the productive capacity it releases. A successful budget will give businesses time back, help employees build useful skills, enable firms to adopt technology safely, move people and goods more efficiently, unlock productive investment, lower energy intensity and ensure that compliant SMEs can compete fairly.

The Q2 findings of the SME Barometer show that reducing the effective tax burden can keep capital within businesses. The unfair competition findings show that compliant firms need enforcement and competitive neutrality, not compensation for permanent regulatory failure. These are important tests of credibility.

Finally, productivity must not be treated as a single scheme; it should become the organising principle and ensure that every euro of support and every regulatory reform made results in an effective and measured results.

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