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## It's a deficit attack

With the deficit for 2003 projected to reach 6.3 per cent of GDP, or Lm108 million, Finance Minister John Dalli had one target in mind when drawing up the budget for 2004: scaling back the deficit.

And the minister's preferred option to tackle the problem was once again by increasing taxation, primarily by changing the VAT rate from 15 per cent to 18 per cent. The deficit remains the single

largest problem tying government's hands.

### Deficit and revenue

The deficit for 2003 is expected to overshoot the projections made last year by Lm33 million. The increase in deficit was due to lower than expected government receipts as a result of poor economic growth. Finance Minister John Dalli partly attributed the

sluggish growth to international factors such as the war in Iraq and the Sars virus, which had a negative impact on world economies. The extensive election and referendum campaigns during the first four months of the year were also mentioned as possible contributors to the domestic slow down because of the instability created.

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Talk of the town: since the announcement of Budget 2004, little else has been up for discussion. Soon after Monday's budget speech, the news analyses and interviews began in earnest. Here Finance and Economic Affairs Minister John Dalli is seen clarifying budgetary measures on public television

## VAT increase, fiscal measures lambasted by employers' bodies

By David Lindsay

Reacting to Monday's budgetary measures, Malta's constituted bodies had few words of praise for what was effectively the fruition of pre-budgetary discussions.

In a joint statement issued the five employers' bodies represented on the Malta Council for Economic and Social Development noted that while they were pleased that a number of their suggestions were indeed incorpo-

rated into the budget, they also regretted that other measures were announced despite their "strong dissuasion" during discussions.

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## Increasing taxes alone will not curb deficit, experts warn

By Kurt Sansone

Minister John Dalli has everybody on his side when he insists that the fiscal deficit needs to be addressed. It is the method adopted to tackle the problem that gives rise to critical opinions on the subject.

Raising taxes, although not a popular measure, is probably less politically sensitive than cutting expenditure in social services and

public sector employment, and thus may suit the minister more. But accountants and economists are warning that reducing the deficit by simply increasing revenue may have its problems.

For economist and university lecturer Gordon Cordina it is imperative that in the future, priority be given to the expenditure-control aspect of deficit reduction.

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## Taxes for healing the wounds

By Matthew Vella

The 2004 budget specifically earmarked tax and excise increases as a source of dedicated revenue for an ailing health sector. With the exorbitant Mater Dei project yet to achieve completion, this year should see at least Lm26 million from VAT and tobacco directly funnelled into the NHS.

Finance and Economic Affairs Minister John Dalli has introduced a system of dedicated sub-accounts within the Consolidated Fund so that tax receipts can be wholly directed to these sub-accounts. The first accounts will be: Tourism and Culture Account; Roads, Construction and Maintenance; Health; and Environment and Embellishment. The accounts will be managed by a Finance Ministry official, the Permanent Secre-

tary responsible for the particular activity, and an MCESD representative.

### Medication Bill

Most certainly, the main items of the budget for the health sector include a streamlining of expenditure mainly directed to those who theoretically are more liable to use the state health system and those who can afford paying for it. This is especially true in terms of the proposed means test for holders of 'yellow card', which entitle certain chronic sufferers to free medicine for such diseases and conditions as hypertension, chronic asthma, rheumatoid arthritis, renal failure, epilepsy, Parkinson's Disease, MS, motor neurone disease, schizophrenia, haemophilia, glaucoma and HIV.

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MSE Index: 2,145.077 + 0.725%

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World indices			Rates of exchange	
Index	Value	Change		
S&P	1053.03	0.09%	EURO	2.3361
DJIA	9747.35	-0.00%	US DOLLAR	2.7554
NASDAQ	1948.24	0.06%	UK STERLING	1.6230
FTSE	4388.7	0.14%	SWISS FRANC	3.6304
CAC 40	3418.15	0.18%	JAPANESE YEN	301.708
DAX	3733.16	-0.11%	CANADIAN DOLLAR	3.6311
H. SENG	12008.07	1.35%	GOLD US Dollars	391.4750
			SILVER US Cents	524.0000

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