

# Business Today

WEDNESDAY 20 January 2010 - SUPPLEMENT ISSUE NO. 617



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## Tax credits to be announced today



Finance Minister Tonio Fenech

**Karl Stagno-Navarra**

Finance Minister Tonio Fenech will this morning announce a series of incentives for businesses in a bid to kick-start the economy after months in recession.

The incentives, in the form of tax credits are to be announced for the employment of personnel and investment in upgrading or modernising premises or shop floors.

According to government sources, Minister Tonio Fenech is expected to announce that local businesses are to benefit up to 40 per cent in tax

credits for their investments, while Gozitan businesses will benefit up to 60 per cent on their investment.

The tax credits are expected to cover investments in acquiring machinery, technology, apparatus or instruments which enhance the operations, including systems which help to save energy or to produce alternative energy; and employ new personnel.

The measures are to apply to those businesses that employ less than 10 people and are capped at a maximum of €25,000.

The move was announced in the Budget for 2010 last November.

## Heritage Oil to drill off Malta



**Charlot Zahra**

Heritage Oil, which has a licence for oil exploration in two areas off Malta, had announced it was going to take its oil exploration activity in Malta "up a notch and begin drilling later this year", with hopes of a potentially lucrative 500 million barrel find within Maltese territorial waters.

It was specialist energy website Energypedia that broke the news on Sunday. Heritage Oil also gave this year's chance of success between 20 and 25 per cent.

Energypedia warned that the announcement, however, "could be misleading to a certain extent since its contract with the Maltese Government obliges it to begin drilling at least one

well by December 2010".

In a conference call with investors last week, Heritage confirmed it was to begin drilling in Malta as well as in Pakistan in 2010.

A drilling schedule posted on the company's web site showed it had earmarked this year's fourth quarter for drilling activity offshore Malta.

Heritage Oil had signed an agreement for the exploration and production of oil and offshore gas in two areas (Areas 2 and 7) off Malta, totalling 18,999 square kilometres, in December 2007.

Area 2 is located some 80 kilometres and Area 7 some 140 kilometres from the South-Eastern Maltese coast in waters ranging in depth from 200 to 400 metres.

## City taxes lead to more Hedge Fund migration to Malta

**Charlot Zahra**

A week after Business Today had first announced that 20 hedge funds had transferred to Malta in the past year, there are indications that more hedge funds and financial services' companies might be heading to Malta to circumvent UK government taxes on the financial industry.

In fact, Business Today has learnt that a number of Maltese businessmen were assisting these companies to set up shop in Malta. Among these were former Vodafone CEO Joe Grioli, who is listed as director on a number of the companies registered by the financial services' companies in the UK in Malta in the past few months.

Sources told Business Today that some of the companies had kept some back office operations in the UK, while others had completely transferred their operations to Malta.

"It is up to their discretion whether they keep part of their back offices in the UK or not," these sources added.

In fact, Conservative London Mayor Boris Johnson has warned that government taxes on the financial

industry in the UK represented "a clear and present economic threat to London".

The Mayor said he feared the taxes would "fast-track" the relocation of thousands of high-earning bankers overseas.

In a letter to Chancellor Alistair Darling, Johnson asked for an urgent meeting to discuss how to reverse "the damage done to perceptions of London as a global financial centre" by his introduction of a 50p income tax rate for top earners and a temporary 50 per cent levy on banking bonuses over GBP 25,000.

In the letter to Darling, Johnson warned "unilateral" British action was "ill-judged" and would weaken a financial services sector which provides around 8 per cent of UK output and one in every seven pounds collected in tax.

The London mayor had estimated that around 9,000 bankers might relocate abroad, with knock-on effects on London's legal, accountancy, publishing and media industries and a reduction in the tax resources available to fund public services.

He told the Chancellor: "I believe that the Government's current policy towards financial services is ill-judged.

"You have made unilateral changes to taxation that risk damaging London's competitiveness and its status, alongside New York, as the world's leading financial services centre," Johnson warned.

About 20 UK-based hedge funds have re-located to Malta in 2009, attracted by a combination of low taxes, a favourable regulatory regime and cheap labour.

Among the 20 London-based firms that had set up an office here last year, there were the GBP 1 billion oil traders Bluegold, Pamplona Capital and Liongate.

Malta, according to the Sunday Times of London, offered "all the perks of being offshore — low taxes and a favourable regulatory regime — but it's part of the European Union, which makes investors comfortable about handing over huge wads of cash."

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## Shipyards' privatisation, "agreement soon"

**Charlot Zahra**

Talks with Neapolitan shipyard Palumbo Cantieri SpA — selected as the preferred bidder for the privatisation of the Cospicua Shipyards — are at an advanced stage. Replying to a Parliamentary Question by Labour MP Leo Brincat on Monday evening, Finance Minister Tonio Fenech said that the privatisation process for the four different entities composing the Malta Shipyards Limited were "at different stages".

Regarding the Cospicua Ship Repair, Fenech announced that negotiations "were going well" and expressed his hope "that it will not be long before be reach an agreement".

Fenech was also optimistic about the conclusion of discussions with the preferred bidder on the Malta Island Yacht Yard, describing discussions as being "at a very advanced stage".

However, Fenech was less optimistic about the negotiations for the privatisation of the Marsa

Shipbuilding.

"Negotiations are still ongoing," he said, without giving any hint about their outcome or whether they were at an advanced stage or not. Regarding the Malta Super Yacht facilities, Fenech said that the existing bidders had been asked to submit fresh bids since the original bids had not reached the expectations of the adjudication committee.

"These bidders were expected to present their bids in January 2010," Fenech told Brincat.

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