The Economy: Today & Tomorrow
Malta’s Attractiveness Survey 2013
### Foreword

This year’s Malta Attractiveness Survey comes out during a time of continuing global challenges to the economic and financial system internationally. As in previous years, this survey deals with the perceptions of the Maltese business climate held by executives of non-Maltese owned entities already operating in Malta.

For the first time, this year’s report also includes a brief introduction to Malta’s economy and the different economic sectors to provide some context to readers who may be less aware of Malta’s economic and sectoral realities.

A number of key findings are highlighted throughout the report and it is not my intention to repeat what is outlined in further detail in the coming pages. However, let me just take the opportunity to highlight that a vast majority of survey respondents are confident of Malta’s ability to overcome the ongoing crisis. Moreover a clear majority intend to continue operations in Malta for the next decade, and over half of respondents have expressed expansion plans.

Respondents also took the opportunity to highlight a number of challenges facing Malta in its attempts to retain and increase its FDI attractiveness. As a consequence, the recommendations put forward by the respondents identify ways in which Malta can increase its FDI attractiveness on both national and sectoral levels.

Of course, our role here is to present the information submitted by the companies themselves. This will be done through this report and any related events.

I would like to thank in particular the top executives who participated in the survey. Their perceptions, suggestions and comments constitute very important information both for policy makers and whoever is interested in exploring Malta’s potential for investment.

Moreover, we are also happy to have again received the endorsement and support of various organisations in Malta for this initiative, including the Malta Chamber of Commerce, Industry and Enterprise, as well as Finance Malta, Malta Enterprise and the Lotteries and Gaming Authority.

It is with great pleasure that we present to you the Malta Attractiveness Survey 2013.

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### Ronald Attard
Country Managing Partner
EY is a global leader in assurance, tax, transaction and advisory services

Globally, we employ 175,000 people and generate $25.8bn in revenue (FY13)

Our global organisation is now structured into four areas: Americas; Europe, Middle East, India and Africa (EMEIA); Asia-Pacific; and Japan

The extent of our global integration distinguishes EY as a firm and ensures seamless, consistent service

EY Malta forms part of the EMEIA area, combining 93 country practices into a single operating unit, which now embraces over 78,000 people and 3,500 partners

We are committed to building a better working world
Executive summary

This is the ninth edition of the Malta Attractiveness Survey, with 91 respondents from a variety of sectors submitting their views through an electronic questionnaire. This forms part of EY’s European Attractiveness Survey initiative.

ABILITY TO OVERCOME THE ECONOMIC CRISIS

93% of respondents remain confident in Malta’s ability to overcome the crisis with up to 100% of Banking respondents believing so. 75% of European Attractiveness Survey respondents are confident in Europe’s ability to overcome the current crisis.

ATTRACTIVENESS OF FDI CRITERIA

The stability of social climate was the parameter with the highest scoring level of attractiveness (89%), followed by the stability and transparency of political, legal and regulatory environment at 86% (2012 78%) and corporate taxation at 82% (previously 84%). Similar to 2012, respondents believe that transport and logistics infrastructure remains the least attractive investment criterion in Malta.

CHANGE OVER THE PAST YEAR

Nearly 20% of all respondents believe that as an investment criterion, telecommunications infrastructure in Malta and potential productivity of the company (at 16% of mentions) have improved over the past year. On the other hand one third of respondents believe that labour costs have witnessed a negative change as an investment criterion over the past year.

BUSINESS SECTORS & KEY BUSINESS FUNCTIONS DRIVING MALTA’S GROWTH

One in four respondents believe that the Banking/Finance and Insurance sectors will drive Malta’s growth in the coming years, with one in five respondents mentioning ICT. Over a third of respondents believe that back office operations will be the key business function in Malta in the future, with headquarters and research and development operations each being mentioned by 17% of the respondents.

OVERALL FDI ATTRACTIVENESS

Close to 88% of respondents considered Malta to be attractive to FDI with just over 3% indicating the contrary. The remaining 9% were not able to reply to this question. Looking forward, 63% believe that Malta will continue being attractive to FDI over the next three years. 63% of respondents believe they will be present in Malta in 10 years time.

SPECIALISED SKILLS

Around 36% of respondents are able to find the right specialised skills on the local labour market. This is down from 43% in 2012.

EXPANSION PLANS

Over 53% indicated having expansion plans. This amounted to 54% in 2012, and was down from the 72% and 67% indicated by respondents in 2009 and 2010 respectively.

SECTORAL RESPONSES

I - Manufacturing

91% of Manufacturing respondents believe Malta’s stability and transparency of political, legal and regulatory environment to be attractive whereas 54% do not consider Malta’s transport infrastructure to be attractive.

Just under 41% of Manufacturing respondents indicated having plans to expand over the coming year in Malta (whole sample average 53%).

59% of Manufacturing respondents encountered problems when searching for specialised skills available from the local pool of human resources.

Around 64% of Manufacturing respondents believe that the current legislative framework encourages key players within their sector to set up in Malta.

II - Financial Services

Finding the required specialised skills in the local labour market can be quite challenging for FS respondents, with 61% of FS respondents believing the local pool of human resources is limited.

88% of all Financial Services respondents believe corporate taxation to be attractive. 31% of these same FS respondents believe that the transport and logistics infrastructure is not attractive as an FDI criterion.

Different financial services sub-sectors have differing expansion plans, with 63% of Financial Services respondents indicating their belief in being present in Malta in 10 years time. This ranged between 92% of Insurance respondents to 38% of Banking ones. Over half of Banking respondents were unable to reply to this question.

III - ICT, Telecommunications and iGaming

All respondents from the ICT, Telecommunications and iGaming sector believe that stability of social climate in Malta is attractive from an FDI point of view.

Only 23% of ICT, Telecommunications and iGaming encountered no problems when searching for specialised skills. 54% of ICT respondents believe they will still be in Malta in 10 years time (sectoral average being 65%). Respondents in this sector seem to have a wider spread in target markets than respondents in other sectors, with over 37% of sector respondents mentioning target markets outside Europe and the USA.

IMPROVING MALTA’S ATTRACTIVENESS

Respondents put forward various recommendations to improve Malta’s attractiveness targeting both the national and regulatory authorities and the private sector. The most common suggestions included increasing Malta’s marketing efforts abroad, maintaining Malta’s fiscal regime and incentives, increasing higher and specialised education opportunities locally, and keeping utility rates and government-induced costs as low as possible.
As we see it

CONTINUED STABILITY IN NATIONAL POLITICAL AND ECONOMIC POLICIES

The results of the ninth edition of the Malta Attractiveness Survey, ‘The Economy, Today and Tomorrow’, show a positive picture of Malta from a number of aspects. Notably, the country is seen as remaining attractive for FDI. When asked to assess the attractiveness of various standard FDI criteria, stability of political climate was the highest scoring parameter of all, closely followed by the stability and transparency of the political, legal and regulatory environment, and corporate taxation.

SUCCESSFULLY OVERCOMING THE CRISIS

International agencies continue to reiterate that Malta has been one of the better performing economies in the Eurozone throughout the economic crisis, and respondents’ views reflect this, with 93% outlining their confidence that Malta would overcome the crisis. With over 53% of survey respondents indicating that Europe is amongst their target markets, we believe that the resurgence in confidence in the rest of Europe to do the same has also contributed to this confidence in Malta. With a small but open economy, Malta’s ability to continue to attract FDI will contribute an important part to the country’s future success. It is encouraging to note that 88% of respondents consider Malta to be attractive for FDI. Some other positive trends have also emerged from this year’s survey. In the 2012 survey, 11% of respondents outlined that Malta was not attractive for FDI whilst in 2013, only 3% of respondents felt that this was the case. Positive longer term trends have also emerged, with 63% of respondents indicating that Malta will remain attractive for FDI.

over the next 3 years, a 5% increase on the counterpart findings from the previous year. Moreover, 63% of this year’s respondents also outlined that they foresaw a presence in Malta in 10 years’ time and 53% had expansion plans.

PRIORITY INDUSTRIES AND SECTORS FOR THE FUTURE

With a stable long-term outlook, we were also interested to understand which sectors and business functions respondents believe would drive future FDI inflows. The government has identified a number of priority industries and sectors, which should assist in the diversification of the local economy and serve as economic pillars on which to aim for its sustained growth. When asked which sectors would drive business in Malta in the future, respondents’ views appear to align with those of government, with the financial services, ICT, business to business services, pharmaceuticals and biotechnologies, and creative industries accounting for 79% of responses. The business functions identified by respondents also mirror trends in globalisation as firms aim to tap into higher value added “value chain positioning” enabling them to carry out certain tasks and processes of global firms’ production of goods and services which were not necessarily present before.

Malta’s comprehensive regulation, relatively low costs (compared to established Western European markets), English-speaking workforce and EU membership appear to be the main drivers behind why respondents identified back office operations (36%) and headquarters (17%) as the business functions that will draw the most investment in the coming years. Malta’s favourable patent legislation probably contributed to research and development (17%) responses.

13% of respondents outlined that logistics centres will be a key business function of Maltese operations in the coming years. The government’s commitment to reduce bureaucracy and utility rates aligns with respondents views that these factors could help improve Malta’s competitiveness. We tend to agree and expect to see more investment from companies looking to target North Africa and the Middle East due to Malta’s strong relationships with these countries and its strategic location. Lying in the centre of the Mediterranean (right on the main Asia–Europe shipping route), Malta is the perfect place to act as a hub for mother ships heading to or from Asia, to service North Africa, the Middle East and Europe.

LOOKING FORWARD

Malta cannot rest on the laurels of its past success and to sustain growth, investment in certain areas will be required. As in 2012, transport and logistics infrastructure areas were identified for improvement. Telecommunications infrastructure remains another area where respondents highlighted further room for improvement, and it is encouraging to note that 18% of all respondents saw a positive change from the previous year. The government’s commitment to increase awareness and marketing efforts. We believe that any additional support in this area will have a positive impact on Malta’s ability to attract further FDI, and in helping those companies currently present in Malta to expand their operations.

We hope that the survey provides some insight into what makes, and what will continue to make Malta attractive for FDI.

Many investors also outlined a need for government agencies to increase awareness and marketing efforts. We believe that any additional support in this area will have a positive impact on Malta’s ability to attract further FDI, and in helping those companies currently present in Malta to expand their operations. Hence any further increase in the number of education, vocational training and placement/work opportunities both locally and abroad for our labour force will also help provide the human resources needed by an increasingly sophisticated economy.

These respondents have shown that the increased availability of these skill sets locally will result in additional employment in Malta and will also give locally-based individuals a larger number of opportunities both locally as well as abroad. In the nearer term, foreign nationals may still be required to address current skill gaps as demand is currently outstripping supply of specialist skills in certain areas.

The survey shows that Malta’s competitive advantage may be increasingly sophisticated economy. With the economy in constant flux, improving and increasing the pool of available specialised individuals is an important pre-condition for the continued development of the economy and the matching of demand and supply. Malta’s need to compete on the international front also means that its labour force needs to be exposed to the international labour market and this was also reflected by respondents across all different sectors.
EY’s 2013 European Attractiveness Survey (EAS) is based on an original two-step methodology that reflects first, Europe’s real attractiveness for foreign direct investors based on EY’s European Investment Monitor (EIM) and second, the “perceived” attractiveness of Europe and its competitors for a representative panel of 808 international decision-makers.

This year’s survey measures the reality of FDI, in terms of projects initiated and jobs created, and reveals the perceptions of more than 800 decision-makers.

Perhaps counter to expectations, this year’s study shows that tough times have not destroyed investors’ faith in the continent. It seems that investors have become accustomed to the economic situation in Europe, learned to live with it, and do not want to miss out on the scarce, but rich, opportunities there.

Though understandably concerned about Europe’s economic prospects, foreign investors seem optimistic that the continent will weather these hard times and emerge stronger. Business investment will play a central role in determining whether this is the case. Meanwhile, European governments recognise the vital role of FDI in creating jobs and stimulating economies. Geographical differences within Europe were also more pronounced in this year’s report.

Against this backdrop, respondents of the EAS stressed the urgent need to improve Europe’s competitiveness and attractiveness. They emphasise the importance of economic stability, a real focus on entrepreneurship and innovation, and a better alignment of Europe’s industrial sectors with future consumer demands. Respondents added that further economic integration, fewer regulations and a renewed focus on education would also go a long way to improving Europe’s attractiveness.

Focus on the European Attractiveness Survey 2013

David G. Curmi, President, Malta Chamber of Commerce, Enterprise and Industry

The Malta Chamber supports EY in gathering the necessary information and disseminating the results of the European Attractiveness Survey. Growth prospects in the Maltese economy depend on competitiveness which in turn is dependent on investment - both local and foreign. Nobody owes Malta a living and capital will only be drawn to Malta if the country is competitive and provides an attractive proposition to investment. Our Chamber stands for investors in the Maltese economy across all sectors and believes in a holistic approach to competitiveness for the country.
1. Is Europe still attractive today?
3,797 FDI projects (-2.8% compared to 2011) creating 170,434 jobs (+8%) were announced in Europe in 2012.

2. What is Europe’s share of global FDI today?
Europe is still the world’s top destination with 22.4% of global FDI value, although its slice diminished by 6 points since 2011.

3. Which countries capture the most FDI?
The UK and Germany remain Europe’s top destinations for foreign investors, with 697 and 597 FDI projects respectively.

4. How do Europe’s difficulties affect its ability to attract and retain foreign investment?
38% of the companies interviewed are planning on investing in Europe next year, up from 26% in 2011.

5. Which cities appeal the most to foreign investors?
London remains the unrivaled leader amongst Europe’s cities, both in terms of opinion (49%) as well as in the number of investment decisions secured (8.2%).

6. Which sectors will drive Europe’s attractiveness?
To 31% of the business leaders surveyed, Europe’s most attractive sectors for investment are information and communication technologies (ICT), Energy and utilities (28%), pharmaceutical and biotechnology (23%), and cleantech (20%) are identified as other growth sectors.

7. Who invests in Europe?
Europe continues to be its biggest client for 55% of the continent’s FDI projects and jobs. The US remained Europe’s single leading FDI generator, accounting for 27.5% of inward investment projects in 2012. Only 245 projects (6.5% of the total) came from the BRICs.

8. Will Europe emerge from the economic crisis?
75% of the business leaders surveyed remain confident about Europe’s ability to overcome the current crisis. The risk of an imminent Eurozone breakup, which weighed heavily on business confidence during much of 2012, has been averted.

9. How can Europe become an innovation hotspot?
To become a global hub for innovation, Europe should improve its education and training programs in new technologies say 46% of our interviewees.

10. Can Europe ensure its attractiveness for the future?
39% of investors believe that Europe’s appeal as an investment destination over the next three years will improve.

The European Attractiveness Survey is available from www.ey.com/attractiveness
Methodology

Top executives from foreign-owned companies (non-Maltese shareholding of 50% or more) based in Malta were invited to respond to the survey, which was distributed electronically. A total of 91 responses were received, up to the beginning of September 2013. Respondents were invited to provide their replies through a dedicated electronic questionnaire.

The database used was created solely for this purpose using various sources of information, including Malta Enterprise and Finance Malta, as well as publicly-available information.

Companies are of differing sizes. The charts on these pages give an indication of the respondents’ sectors, as well as company sizes (by revenues and by number of employees).

The spread of respondents is very similar to that of 2012, and this further facilitates comparison of this year’s results with those of 2012. Of the 54 respondents who indicated employing globally more than 100 employees, 26 (i.e. 28.5% of total respondents) of them employed more than 100 employees in Malta.

This year’s survey also featured additional questions to the 2012 exercise with questions about specific (existing) incentives, and about the business functions which the respondents believe will draw most investment.

The analysis of the results is based on both the totality of the responses received (i.e. the 91 replies) as well as a sectoral analysis broken down into the sectors illustrated above.
Survey results

Malta & the International Crisis

Up to 93% of respondents are confident in Malta’s ability to ride the crisis. This is higher than the 75% of European respondents who believe that Europe will overcome the crisis. All Banking, ICT and Insurance company respondents believe Malta will overcome the crisis whereas 80% and 82% respectively of the Manufacturing and ‘Others’ respondents believe this to be so.

Confidence in Malta’s ability to overcome current financial crisis

<table>
<thead>
<tr>
<th>Sector</th>
<th>Yes</th>
<th>Don’t know</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICT, Telecommunications and iGaming</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Financial Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All Sectors: 93%

Source: Malta Attractiveness Survey (2013)

Base: All respondents

Note: Differences in totals due to rounding up/down

93% of respondents are confident in Malta’s ability to ride the crisis.

Joseph Muscat, Prime Minister of Malta

Business success is crucial. It creates jobs and maintains sound finances. We are investing in education and a skilled workforce. We are cutting energy costs and working to have a leaner government-cutting excessive red tape. We are developing projects such as land reclamation and a maritime hub. And we are attracting investment from Asia and Africa.

Our outlook is global and attracting investment is crucial for more and better quality jobs. Malta has the necessary attributes to give investors a gateway to the North and South of the Mediterranean. Malta means business.
Up to 95% of Manufacturing respondents rely on exports for between 76 and 100% of their revenue; in other sectors the proportion of export is much less. This points towards differing levels of dependence, and possible influence, of the international crisis.

**Revenue exported (%)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Between 0% and 25%</th>
<th>Between 26% and 50%</th>
<th>Between 51% and 75%</th>
<th>Between 76% and 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>20%</td>
<td>2%</td>
<td>8%</td>
<td>36%</td>
</tr>
<tr>
<td>Insurance</td>
<td>0%</td>
<td>2%</td>
<td>9%</td>
<td>36%</td>
</tr>
<tr>
<td>Other Financial Services</td>
<td>9%</td>
<td>8%</td>
<td>16%</td>
<td>29%</td>
</tr>
<tr>
<td>ICT, Telecommunications and Gaming</td>
<td>8%</td>
<td>10%</td>
<td>3%</td>
<td>11%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9%</td>
<td>3%</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td>Others</td>
<td>8%</td>
<td>8%</td>
<td>9%</td>
<td>22%</td>
</tr>
<tr>
<td>All Sectors</td>
<td>9%</td>
<td>9%</td>
<td>16%</td>
<td>22%</td>
</tr>
</tbody>
</table>

*Source: Malta Attractiveness Survey (2013)  
Base: All respondents  
Note: Differences in totals due to rounding up/down*

Respondents in the Banking, insurance and Other Financial Services sectors were split largely in half between companies that rely primarily on foreign markets/clients and those that rely on the local market. On the other hand, this reliance on the local market is much less pronounced in the Manufacturing sector, where only one respondent had less than 75% dependence on the international market.

When discussing target markets, over 53% identified Europe amongst their target markets, whilst the USA was included amongst the targets identified by 18% of respondents.

**Key target markets**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Europe</th>
<th>USA</th>
<th>Africa</th>
<th>Middle East</th>
<th>Asia</th>
<th>Rest of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>50%</td>
<td>5%</td>
<td>6%</td>
<td>11%</td>
<td>17%</td>
<td>4%</td>
</tr>
<tr>
<td>Insurance</td>
<td>0%</td>
<td>1%</td>
<td>16%</td>
<td>33%</td>
<td>33%</td>
<td>6%</td>
</tr>
<tr>
<td>Other Financial Services</td>
<td>8%</td>
<td>5%</td>
<td>1%</td>
<td>16%</td>
<td>1%</td>
<td>9%</td>
</tr>
<tr>
<td>ICT, Telecommunications and Gaming</td>
<td>16%</td>
<td>12%</td>
<td>16%</td>
<td>2%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>49%</td>
<td>22%</td>
<td>9%</td>
<td>16%</td>
<td>22%</td>
<td>2%</td>
</tr>
<tr>
<td>All Sectors</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>16%</td>
<td>22%</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Source: Malta Attractiveness Survey (2013)  
Base: All respondents  
Note: not all respondents opted to reply to this question, Differences in totals due to rounding up/down*

Malta’s attractiveness as an FDI destination

Respondents rated Malta’s performance against a number of key standard investment criteria. The criteria used are the same used in the previous two editions of the MAS.

The highest scoring parameter overall was stability of social climate with 89% of replies considering it to be attractive in Malta (85% in 2012). The next most highly scored criterion was the stability and transparency of political, legal and regulatory environment at 86% (2012 78%) and corporate taxation at 82% (previously 84%). Similar to 2012, respondents stated that transport and logistics infrastructure remains the least attractive investment criterion in Malta.

**Attractiveness scorecard**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Very attractive and attractive</th>
<th>Neither attractive or not attractive</th>
<th>Not attractive and not attractive at all</th>
<th>Not Relevant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stability of social climate</td>
<td>89%</td>
<td>9%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Stability and transparency of political, legal and regulatory environment</td>
<td>86%</td>
<td>6%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>80%</td>
<td>12%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Local labour skills level</td>
<td>80%</td>
<td>18%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Potential productivity increase for your company</td>
<td>67%</td>
<td>24%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Labour costs</td>
<td>66%</td>
<td>24%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Flexibility of labour legislation</td>
<td>64%</td>
<td>24%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Telecommunications infrastructure</td>
<td>60%</td>
<td>24%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Transport and logistics infrastructure</td>
<td>60%</td>
<td>24%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Domestic or regional market</td>
<td>60%</td>
<td>24%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Source: Malta Attractiveness Survey (2013)  
Base: All respondents  
Note: Differences in totals due to rounding up/down*
The charts below highlight the sectoral responses to the three highest-ranking FDI criteria which respondents felt were 'attractive' when taken as an average across all sectors.

1. **Stability of social climate**: Insurance respondents views differed significantly from the other sectors. In these parameters between the 2012 and 2013 survey there was a slight improvement in perception amongst ICT and Manufacturing respondents and a slight decrease amongst Financial Services respondents as a whole.

2. **Stability and transparency of political, legal and regulatory environment**: When considering the attractiveness of this parameter, all sectors believe this to be attractive in Malta. There was an improvement in perception between 2012 and 2013 amongst Manufacturing respondents and also a decrease in perceived attractiveness for ICT, iGaming and Telecommunications sector respondents (taken as a whole).

3. **Corporate Taxation**: A higher proportion of Banking and Insurance respondents think that this incentive is attractive than their counterpart ICT and Manufacturing respondents.

### Scorecard - Stability of social climate

- **Very attractive and attractive**
  - ICT, Telecommunications and Gaming: 100%
  - Banking: 92%
  - Other Financial Services: 92%
  - Manufacturing: 91%
  - Others: 80%
  - Insurance: 89%

Source: Malta Attractiveness Survey (2013)
Base: All respondents

### Scorecard - Stability and transparency of political, legal and regulatory environment

- **Very attractive and attractive**
  - Banking: 100%
  - Manufacturing: 92%
  - Other Financial Services: 83%
  - Others: 77%
  - ICT, Telecommunications and Gaming: 77%
  - Insurance: 73%

Source: Malta Attractiveness Survey (2013)
Base: All respondents

### Scorecard - Corporate taxation

- **Very attractive and attractive**
  - Banking: 92%
  - Insurance: 83%
  - Other Financial Services: 83%
  - Others: 73%
  - ICT, Telecommunications and Gaming: 77%
  - Manufacturing: 73%

Source: Malta Attractiveness Survey (2013)
Base: All respondents
From the three investment parameters which scored the lowest from an FDI attractiveness point of view, one third of 2013 respondents believe that Malta’s transport and logistics infrastructure was not attractive (40% in 2012), whereas the telecommunications infrastructure and domestic/regional markets parameter were considered unattractive by 24% and 15% of respondents respectively.

In 2012, respondents believed that the least attractive criteria were transport and logistics infrastructure, domestic market and flexibility of labour legislation.

When looking at how these criteria scored from a sectoral point of view:

1. **Transport and Logistics infrastructure**: There is a marked difference between the 23% of ICT respondents who believe this parameter to be unattractive and the 55% of Manufacturing respondents who believe so. Similar results were registered in 2012.

2. **Telecommunications infrastructure**: For this parameter, respondents across sectors also had widely differing views. Whereas 45% of Manufacturing respondents considered this to be unattractive, only 8% of the ICT, iGaming and Telecommunications respondents thought so. This parameter was not one of the three highest non-attractive parameters in 2012 (as this was flexibility of labour legislation).

3. **Domestic/regional markets**: Banking respondents were an outlier with only 8% considering this to be unattractive. Up to 40% of the replies from the ‘Other’ sector thought this to be unattractive in Malta. Between the 2012 and 2013 surveys, there was a significant decrease (from 38% to 15%) of ICT respondents who believed domestic and regional markets to be unattractive in Malta.

Similarly to 2012, transport and logistics infrastructure remains the least attractive investment criterion for respondents.
Respondents were also asked to indicate perceived improvements in the different Malta FDI parameters over the previous year. Respondents believe there were improvements in telecommunications infrastructure (18% of respondents) and potential productivity of the company (16%). On the other hand, and although a number of respondents highlighted that labour costs in Malta remain competitive, 33% believe that these labour costs have increased over the past year.

Similar results were registered in last year’s 2012 survey, where perceived improvements in telecommunications infrastructure was also mentioned the most (with 29% of mentions), whilst labour costs had been perceived to have seen the largest negative change over the preceding year (with 28% of mentions).

Source: Malta Attractiveness Survey (2013)
Base: All respondents
Note: Differences in totals due to rounding up/down

When asked to identify which business sectors will drive Malta’s growth in the coming years, just below 24% of total mentions were for the banking/finance and insurance category, with ICT (with 62 mentions) being mentioned in 21% of the total number of mentions. These results also show that up to 77% of respondents included banking/finance and insurance and 68% included ICT. None of the respondents included the transport and automotive industry amongst the business sectors they believe would be driving Malta’s future growth. The prompted business sectors are based on the EAS and are different to the ones used in previous Malta Attractiveness Surveys.

Source: Malta Attractiveness Survey (2013)
Base: All respondents
Note: Differences in totals due to rounding up/down
As outlined in the following charts, the respondents finding Malta attractive for FDI amounted to 88%, a positive increase of 2% from 2012. A positive change was also noted in the number of replies which did not think so, which went from 6% of respondents to 3% over the same period. No negative responses were received from respondents categorised as ‘Others’.

Malta's overall attractiveness for FDI

88% of respondents considered Malta to be attractive for FDI

Malta's attractiveness for FDI - by sector

Malta's overall attractiveness for FDI

91% 2011
86% 2012
3% 2013

Source: Malta Attractiveness Survey (2013)
Base: All respondents
Note: Differences in totals due to rounding up/down

Simon Busuttil, Leader, Partit Nazzjonalista, Malta

Over the past years, Malta has striven to continuously reform itself to enhance its competitiveness. Together with the flexibility and adaptability of our workforce, we have managed to attract and sustain growth in a wide variety of economic sectors, from financial services to online gaming, and from aviation services to the maritime sector.

We must not, however, be complacent: It is our responsibility to maintain a high level of quality and responsiveness, and to sustain Malta’s prime position in supporting potential and existing entrepreneurs, local and foreign, in choosing Malta as their base for further growth and success.
63% of respondents believe Malta will remain attractive over the next three years.

Just under 63% of respondents believe Malta will remain attractive over the next three years. This is down from the 71% registered in 2011, and up on the 58% registered in 2012.

Malta’s Attractiveness for the Next Three Years

36% believe that back office operations will be the key business function in Malta.

With 36% of mentions, back office operations were identified as the single largest business function (from the prompted list) which respondents believe will draw most investment in the coming years. The lowest number of mentions was for manufacturing type of investments. The prompted business functions are based on the EAS and are different to the ones used in previous Malta Attractiveness Surveys.

Business Functions

Other business functions identified by respondents included:
- High-specification design and engineering
- Gaming, including offshore gaming platforms and services
- Mechanical and electronic engineering servicing activities

Mario Vella, Chairman, Malta Enterprise

Malta Enterprise is determined to focus on its core business, namely the promotion of direct investment, local and foreign. It will resolutely promote exports and competitiveness, employment and education, entrepreneurship and innovation. And it will do so with an eye to value for taxpayers’ money.
In these difficult economic times, it is encouraging to note that just under 53% of respondents indicated plans to expand their activities in Malta. Over 31% of respondents with expansion plans are contemplating expanding back office support services, followed by research and development, and manufacturing (each at 13% from the list of business functions provided). Training centres, one of the prompted types of business expansion activities, received no mentions. The spread between service, manufacturing and innovation highlights the diversity of Malta’s economy.

Kenneth Farrugia, Chairman, FinanceMalta
Despite the uncertainties presented by the global macro-economic environment over 2013, Malta’s financial services industry has continued to sustain its growth momentum particularly in the funds and insurance sectors. Going forward, the fast-changing regulatory landscape will continue to present fresh challenges to the industry in general. Nonetheless, the current heightened regulatory climate will undoubtedly bring about business opportunities where Malta remains very strongly positioned to exploit opportunities that are emerging and will continue to emerge going forward.

Other types of expansion projects identified included:
- Passporting of insurance services
- Expanded financial service offerings
- Operational hub for financing activities
- ICT
- Expansion of facilities
- Network investments
- New tanks on land to be reclaimed or provided next to Freeport.
Taking the lead from the European Attractiveness Survey which asked European business leaders a similar question, respondents to the Malta Attractiveness Survey were asked to indicate whether they foresaw a future presence in Malta in 10 years. 63% indicated that they would be present in Malta in 10 years, 35% provided a negative response and 2% were not in a position to reply.

### Presence in Malta in 10 years’ time

<table>
<thead>
<tr>
<th>Sector</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>60%</td>
<td>63%</td>
</tr>
<tr>
<td>Other Financial Services</td>
<td>44%</td>
<td>32%</td>
</tr>
<tr>
<td>ICT, Telecommunication and Gaming</td>
<td>57%</td>
<td>55%</td>
</tr>
<tr>
<td>Insurance</td>
<td>43%</td>
<td>43%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>55%</td>
<td>57%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>All Sectors</td>
<td>36%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: Malta Attractiveness Survey (2012 - 2013)  
Base: All respondents

### Availability of specialised skills

Views on the availability of specialised skills on the local labour market were elicited. Up to 36% of respondents indicated having no problems in finding the required specialised skill sets. This was down from the 43% indicating this in 2012. Differences in specialised skills availability were also registered across the various sectors.

Results show that this year’s perceived unavailability of specialised personnel seems to have become more pronounced when compared to last year across most of the sectors under consideration.

### Availability of specialised skills

<table>
<thead>
<tr>
<th>Sector</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other Financial Services</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>ICT, Telecommunication and Gaming</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Insurance</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>All Sectors</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Malta Attractiveness Survey (2012 - 2013)  
Base: All respondents
Sectoral analysis

ATTRACTING FDI TO MALTA - A SECTORAL ANALYSIS

This section provides additional information on sector specific replies. Each sectoral analysis is preceded by a brief outline of the sector’s historical development in Malta and its current position in Malta’s economic framework.

The respondents’ replies are grouped together in the following three areas:

1. Manufacturing, analysing the Manufacturing and Pharmaceutical sectors
2. Financial services, analysing results for the Banking, Insurance and Other Financial Services (including Asset Management, Trusts and Fund Administrators) sectors
3. ICT, Telecommunications and iGaming sectors
AN INTRODUCTION TO THE MANUFACTURING SECTOR IN MALTA

The manufacturing sector incorporates the manufacture of various products, including amongst others food products and beverages, chemicals and chemical products, rubber and plastic products, other non-metallic mineral products, fabricated metal products, electronic and optical products, electrical equipment, and the pharmaceutical sector.

Contribution to GDP

The country’s economic vision has been focused for the last years on restructuring the manufacturing base to high value-added manufacturing and advanced manufacturing, based on research and innovation. This strategy has led to the growth and expansion of the pharmaceutical sector, aviation services and the manufacturing of higher-end electrical components.

Malta’s proximity to commercial centres and the European, North African and Middle East markets, as well as strong communications technology, make it unique as a manufacturing hub.

Legal and Regulatory aspects

Malta has adopted the inward processing relief (IPR) procedure on imports, whereby duty is relieved on imports on non-EC goods which are processed in the Community and re-exported, as well as IPR goods received from another approved trader in Malta or another Member State. This assists community processors to compete on a level playing field in the world market. In the case of pharmaceuticals, the Mutual Recognition Procedure ensures that granted Marketing Authorisation is “mutually recognised” within the EU. Moreover, the Malta Pharmaceutical Patent Protection Regime provides effective protection to proprietors of a patent against third parties (20 years of exclusive protection) and the Patent Act allows a generic pharmaceutical company established in Malta to develop generic drugs, and complete all the necessary preparatory work prior to the competitors’ products’ patent expiry.

Manufacturing companies, especially target markets such as R&D, filming, and pharmaceuticals, are entitled to various benefits, including investment aid, grants for innovative start-up enterprises, and SME development grants.

Manufacturing companies are also entitled to a vast array of incentives of a fiscal nature, including tax credits for micro enterprises and the self-employed. Malta’s entry in the EU has also enabled generic pharmaceutical manufacturers to easily promote their products in the MENA region as well as in South America.

ANALYSIS OF MANUFACTURING RESPONSES

Over 90% of Manufacturing respondents considered Malta’s stability of social climate as attractive, with the next most commonly mentioned attractive criteria being local labour skills with just over 77% of respondents.

The three parameters mentioned the most frequently as not attractive included transport infrastructure with 54% of Manufacturing respondents, telecommunications infrastructure with 45% and labour costs with 36% of Manufacturing respondents.

Various Manufacturing respondents commented that the overall Malta package is still a very attractive one, with the pro-business government, EU and Eurozone membership and overall political and social stability being most commonly mentioned as attractive features. Other criteria which make Malta attractive include the prevalence of the English language, the flexibility of the workforce, the level of medical services, Malta’s location and the ‘welcome’ factor.

On the other hand, Manufacturing respondents indicated that there is room for improvement by increasing and improving marketing efforts of both the country and its incentives to improve international awareness, containing costs (especially labour-related) and creating new schemes to compensate for new/additional costs.
When indicating whether Malta will be attractive in three years time, Manufacturing respondents generally indicated that since various policies (government, fiscal, education, incentives, etc) are not expected to change they see no reason why Malta should not remain attractive. Some respondents also highlighted that efforts to decrease bureaucracy should also help them become more competitive and make Malta more attractive to business.

**Attractiveness scorecard - Manufacturing**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Very attractive</th>
<th>Neither attractive nor not attractive</th>
<th>Not attractive and not attractive at all</th>
<th>Not relevant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stability &amp; transparency of political, legal &amp; regulatory env.</td>
<td>95%</td>
<td>4%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Stability of social climate</td>
<td>98%</td>
<td>2%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Local labour skills level</td>
<td>77%</td>
<td>14%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>76%</td>
<td>11%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Potential productivity increase for your company</td>
<td>97%</td>
<td>2%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Telecommunications infrastructure</td>
<td>90%</td>
<td>10%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Flexibility of labour legislation</td>
<td>96%</td>
<td>4%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Transport and logistics infrastructure</td>
<td>96%</td>
<td>4%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Labour costs</td>
<td>96%</td>
<td>4%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Domestic or regional market</td>
<td>95%</td>
<td>5%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Malta Attractiveness Survey (2013)
Base: Manufacturing respondents

Manufacturing respondents showed a preference for manufacturing and research and development type of expansion projects. Just under 41% of Manufacturing respondents indicated plans to expand over the coming year in Malta (survey average 53%). The replies indicating that there were no plans to expand, at 54% of Manufacturing respondents, is also higher than the survey average of 32%.

**Expansion plans**

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Can’t Say</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>55%</td>
<td>32%</td>
<td>15%</td>
</tr>
<tr>
<td>2013</td>
<td>41%</td>
<td>38%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Malta Attractiveness Survey (2012 - 2013)
Base: Manufacturing respondents

**Presence in Malta in 10 years time**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>68%</td>
</tr>
<tr>
<td>All Sectors</td>
<td>63%</td>
</tr>
</tbody>
</table>

Source: Malta Attractiveness Survey (2013)
Base: All Respondents

Just under 41% of Manufacturing respondents indicated plans to expand over the coming year in Malta (survey average 53%).

Manufacturing respondents showed a preference for manufacturing and research and development type of expansion projects. 68% of Manufacturing respondents believe they would be in Malta in 10 years time, whereas 32% replied that they don’t know. The average for the whole group of respondents are 63% and 35% , showing that Manufacturing respondents showed a higher commitment to being in Malta in 10 years time than the averages across the respondent population.

Around 64% of Manufacturing respondents believe that the current legislative framework encourages key players within their sector to set up, whilst 36% believe that it does not. The average across all the sectors was 85% and 15% respectively.
Just under half of Manufacturing respondents indicated Europe amongst their target markets, with a quarter specifically mentioning the USA. Asia, the Middle East and Africa were also mentioned as interesting markets for these companies.

Around 64% of Manufacturing respondents believe that the current legislative framework encourages key players within their sector to set up in Malta.

When specifically asked about current Malta Enterprise incentives, 59% of Manufacturing respondents indicated that they are currently benefitting from these incentives. The Investment Tax Credits scheme is considered to be the most attractive with all respondents considering it so. The least attractive incentive was considered to be the Industrial and Intellectual Property Aid Scheme, with only just over 21% of respondents believing it to be attractive.

When commenting on the challenges in this sector, respondents indicated:

- Costs of environment regulation
- Maintaining and upgrading human resource skills
- Uncompetitive seafreight services to Europe
- Cost of transport
- Labour, utilities, factory rents and materials cost increases
- Labour legislation
- Competition from Asia and Eastern Europe
- Wage increases not linked to performance
- Maintaining incentives currently offered
- Increasing industry support to explore new markets and to enhance product development
Financial Services in Malta includes services related to banking, insurance, asset management, funds administration and activities auxiliary to financial services, trusts and specialised financial services.

**Contribution to GDP**

The sector has grown in its importance to the local economy from 4% of GDP in 2008 to around 8% in 2012, mainly driven by those key features which make Malta attractive as a financial services centre, including regulatory and pricing factors.

This contribution to GDP is likely to increase in the coming years as Malta strengthens its position as a global financial services centre. The country has proven to be capable to stand up for the difficult financial and economic situation within the Eurozone. The banking system has been declared by a number of analyst reports as being “sound” and “resilient”, whilst services such as wealth management and re-insurance are future potential growth areas.

**Legal and regulatory aspects**

Malta has adopted and established a comprehensive legislative and regulatory framework for financial service activities based on standards of best practice, through: (i) A fully EU compliant yet market-driven legislative and regulatory framework; (ii) A fast and approachable regulatory authority being the Malta Financial Services Authority (MFSA); (iii) Transparency; and (iv) Regulatory accountability. Malta has a taxation system beneficial for foreign owners and a broad double taxation treaty network.

**Key attractions**

- Stepping stone to new markets and easy access to the markets of Europe, North Africa and the Middle East
- Significant cost advantages as a finance centre, making it a competitive alternative
- Robust and sophisticated legislative and regulatory framework
- Favourable tax framework and an extensive double tax treaty network
- Beneficial tax regime for highly qualified persons

**Analysis of Financial Services Responses**

When commenting on why Malta is attractive for FDI, financial services respondents put forward a number of favourable comments on amongst others, its incentives, political stability, economic and social environment and relatively low costs. The adaptability and education of the local workforce and the well-regulated and good reputation that it enjoys were also considered to be plus points leading to 88% of financial services respondents to believe Malta is attractive for FDI.

On the other hand, these financial services respondents believe that marketing Malta and its incentives could be increased and improved upon, and that certain bureaucratic procedures need to be streamlined as far as possible. Some also believe that costs will also need to be monitored to ensure that Malta does not lose its competitive edge.

Respondents in the different financial services sub-sector/s differed in their opinion on the attractiveness or otherwise of the various investment criteria in Malta.

All banking respondents consider the stability and transparency of political, legal and regulatory environment parameter as attractive in Malta. The two next most attractive criteria for them were social climate and corporate taxation at 92% of mentions. On the other hand, 31% of these same respondents considered transport and logistics infrastructure in Malta to be unattractive, with 15% each considering telecommunications infrastructure and flexibility of labour legislation to also be unattractive.
92% of insurance respondents consider corporate taxation in Malta to be attractive, whereas three parameters, namely labour costs, local labour skills level and stability and transparency of political, legal and regulatory environment were each considered to be attractive by 77% of insurance respondents.

On the other hand, the least attractive for these insurance respondents were transport and telecommunication infrastructure parameters, each at 38% of sectoral mentions.

For Other Financial Services (OFS) sector respondents, the most attractive criterion was the stability of social climate with 92% considering it to be attractive in Malta. The next highest were stability and transparency of political, legal and regulatory environment, labour costs, domestic /regional markets and corporate taxation all at 84%.

The least attractive parameters amongst OFS respondents were transport and logistics infrastructure (with 28% considering this parameter in Malta to be not attractive or not attractive at all) followed by telecommunication infrastructure and domestic or regional markets each at 20% of respondents.
When taking the Financial Services respondents as a whole, corporate taxation was the most attractive to 88% of respondents, with stability and transparency of political, legal and regulatory climate and social climate jointly next. Telecommunications and transport infrastructures were considered the least attractive FDI criterion in Malta by these same respondents.

When commenting on their expansion plans, 52% of Other Financial Services respondents, 46% of Banking and 38% Insurance respondents indicated having plans to expand their operations in Malta. The average across the whole cross-sectoral group of respondents is 53%.

Expansion plans

<table>
<thead>
<tr>
<th>Sector</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>30%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>2013</td>
<td>35%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>30%</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>2013</td>
<td>35%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Other Financial Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>25%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>2013</td>
<td>30%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>All Sectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>30%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>2013</td>
<td>35%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: EY’s Malta Attractiveness Survey 2013
Base: All respondents
When asked about the type of investment projects being considered by their companies, 73% of Financial Services respondents (having expansion plans) indicated considering back office operations, with an additional 20% planning a sales and marketing office.

When asked whether they think they would still be present in Malta in 10 years time, aside from insurance respondents at 92%, only 52% and 38% respectively of Other Financial Services and Banking respondents believe they will still be present in Malta.

In total, an average 63% of respondents across all sectors believe that their companies will still be present in Malta in 10 years time.

When responding on whether the current legislative framework encourages key players to set up, the majority of Financial Services respondents from Banking, Insurance, Fund Administration and Specific Financial Services replied in the affirmative. This was also the case for the vast majority of Trustees and Asset Management respondents.

**Presence in Malta in 10 years time**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Yes</th>
<th>Don’t know</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>92%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Insurance</td>
<td>96%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Other Financial Services</td>
<td>92%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>All Sectors</td>
<td>63%</td>
<td>35%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Malta Attractiveness Survey (2013)
Base: All respondents

Similarly to other sectors, the key target markets identified by respondents in the Financial Services sector’s mentioned Europe and the USA as their main target markets.
Respondents in the Financial Services sector highlighted a number of challenges in their particular fields.

**Banking:**
- The introduction of a banking union and Single Supervisory Mechanism
- Increasing legislative and regulatory processes
- Depositor compensation schemes obligations
- Attracting further business - saturated market
- Finding the right resources for specialist roles in treasury, custodian, fund services and core business development
- Maintaining an acceptable cost/income ratio
- Remaining competitive to ensure customer retention and business growth
- Ensuring financial stability
- Further developing as a financial centre in the Mediterranean
- Increasing air transport links to major European capitals

**Insurance**
- Unclear guidelines for Solvency II
- Maintaining regulatory attractiveness and tax benefits
- Extensive regulation
- Too many players with reduced rates
- Sustaining financial and political stability during sovereign debt crisis in Europe
- Aiming for regulatory flexibility and proportionality
- Maintaining Malta’s good reputation and combating negative publicity
- Locating human resources

**Other Financial Services**
- Remaining a stable environment for business
- Avoiding Eurozone recession contagion
- Ensuring regulators remain helpful
- Maintaining regulatory stability due to AIFMD
- Keeping costs low
- Ensuring a continuing supply of well trained entrants to the workforce
- Increasing pool of experienced professionals including custodians
- Competing with local and foreign providers operating locally and from other competing jurisdictions
- Attracting larger institutions (hedge funds) to set up
- Developing pension legislation and regulations to target cross-border occupational and personal retirement schemes
An introduction to the ICT, telecommunications and iGaming sector in Malta

The Information and Communications Technology (ICT) sector includes both (i) Computer programming, consultancy and related activities; and (ii) Information service activities. ICT companies have gradually established a presence in Malta, with companies ranging from international blue chip companies to start-ups.

In iGaming in recent years, Malta has registered a large influx of foreign gaming companies (including major multinational players) and the establishment of foreign backed start-ups relating to gaming. These companies cover both remote gaming (eGaming), and innovative and online gaming (iGaming). The sector is currently passing through a phase of consolidation, but interest for new licences and new business models is still being registered.

The telecommunications sector within the ICT sector covers wired, satellite, and other telecommunications activities (including postal services). The sector is interlinked with the ICT sector and provides the backbone for many other economic sectors, especially supporting the financial services and eGaming sector.

Legal and regulatory aspects

The ICT legislation and regulatory framework includes (i) obligations of providers of international bandwidth to have arrangements in place with their competitors to bind them to carry international traffic originating from their competitors should faults arise; and (ii) specific test and trial frequency licencing schemes aimed at alluring companies who wish to carry out further research and limited trials of new technologies. The sector is regulated by the Malta Communications Authority (MCA).

The iGaming sector is regulated by the Lotteries and Gaming Authority, through a comprehensive legislative and regulatory framework. Significant anti-money laundering provisions also apply.

Malta’s regulatory framework for telecommunications services closely mirrors the respective EU Directives. The MCA regulates the market for electronic communications, electronic commerce, and postal services. In an attempt to cater for developments in the sector, the framework is based on a technology-neutral approach to licensing and enforcement.

Malta has a very competitive fiscal framework that supports growth in the ICT and iGaming spheres, including attractive tax incentives for ICT and iGaming companies.

Key attractions

- Specific test and trial frequency schemes for research and limited trials of new technologies
- Attractive IP incentives for IT companies
- Capped gaming licence tax
- Refundable tax credits for shareholders
- Flat rate employment tax of 15% for highly qualified persons

Analysis of ICT, telecommunications and iGaming sector responses

Around 92% of ICT respondents believe that Malta is attractive for FDI. These respondents believe that Malta is attractive to them primarily due to the low cost (and high quality) of labour, the tax regime, the English speaking workforce and its EU membership.

These same respondents believe that although the regulatory entity are strong and enjoy a good reputation, there is scope for improvement in the competitive regulatory environment and enforcement of anti-piracy provisions.

The three most attractive Maltese investment parameters for respondents in this broad ranging sector are stability of social climate (with 100% of respondents considering Malta to be attractive from this point of view), with stability and transparency of political, legal and regulatory environment, labour costs and corporate taxation being the next highest at 77% each.

The least attractive parameters for this sector are transport infrastructure and flexibility of labour legislation at 23%, and stability and transparency, and domestic or regional markets at 15% each.
When commenting on their expansion plans, 52% of this sector’s respondents indicated that they planned to expand their operations, with 28% indicating that they were not. These are similar to the survey’s averages at 53% and 32% accordingly.

When responding as to whether they envisaged being in Malta in 10 years time, 54% indicated that they would be here, with the remaining respondents (46%) not being able to reply to this question. An average 63% of all respondents believe that their companies would still be in Malta in 10 years time.

**Presence in Malta in 10 years time**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Yes</th>
<th>Don’t know</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>64%</td>
<td>32%</td>
<td>4%</td>
</tr>
<tr>
<td>Other Financial Services</td>
<td>64%</td>
<td>32%</td>
<td>4%</td>
</tr>
<tr>
<td>ICT, Telecommunication and iGaming</td>
<td>64%</td>
<td>32%</td>
<td>4%</td>
</tr>
<tr>
<td>Insurance</td>
<td>64%</td>
<td>32%</td>
<td>4%</td>
</tr>
<tr>
<td>Manufacture + Pharmaceuticals</td>
<td>64%</td>
<td>32%</td>
<td>4%</td>
</tr>
<tr>
<td>Others</td>
<td>64%</td>
<td>32%</td>
<td>4%</td>
</tr>
<tr>
<td>All Sectors</td>
<td>63%</td>
<td>31%</td>
<td>9%</td>
</tr>
</tbody>
</table>

In response to the question on the business friendliness of the current legislative set-up, 77% of sectoral respondents believe it to be so (which is lower than the average across all the sectors at 85%).

Reuben Portanier, Chief Executive Officer, Lotteries and Gaming Authority

Across the years, Malta managed to create the ideal legal and economic environment in order to effectively regulate and attract Gaming Companies towards Malta. This survey is an indicative barometer in assessing Malta’s attractiveness in this sector, which will properly serve the purpose for effective planning for the years to come.

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EY’s Malta Attractiveness Survey 2013
Respondents in this sector seemed to have a wider spread in target markets than respondents in other markets with over 37% of sector respondents mentioning target markets aside from the Europe and the USA. A similar spread was witnessed amongst Manufacturing respondents. Some respondents highlighted that although they are not the traditional target clients of Malta Enterprise, they would be interested in any possible assistance in finding (new) markets as well as in schemes for remote gaming companies to help them establish themselves in Malta.

Respondents in this sector highlighted a number of challenges including:

• Maintaining investment in high level education in ICT and creativity
• Finding available adequately trained staff and keeping existing employees
• Attracting foreign experts and high profile personnel with local salary packages
• Updating gaming legislation to reflect ongoing progress in gaming technology
• Ensuring a stronger regulatory presence at EU level
• Strengthening constituted bodies sectoral representation
• Increasing national efforts to promote Malta as a gaming jurisdiction of sound repute
• Keeping the Maltese licence as a key licence within the EU
• Improving service levels for incoming specialists
• Minimising bureaucracy and maintaining a high level of due diligence
• Improving local banking sector services to iGaming industry
• Students lacking industry experience
• Cost of labour, utilities and office space
• Ongoing foreign currency exchange exposure (euro vs GBP)

Malta Enterprise incentives

- Investment aid tax credits
- Industrial research aid
- Loan guarantees
- Industrial and intellectual property aid
- Interest rate subsidies

Respondents in this sector highlighted a number of challenges including:
Improving Malta’s attractiveness

Respondents put forward a number of recommendations to assist Malta improve its attractiveness to FDI.

In view of their very important roles in maintaining and improving Malta’s FDI attractiveness, a number of recommendations were aimed at the government and regulatory authorities, which include:

- Ensuring healthy public finances / GDP growth
- Facilitating employment procedures for non-EU nationals in specific areas such as IT
- Increasing promotional efforts of Malta throughout EU and the rest of the world and in international fora, especially through government agencies
- Maintaining and improving current regulatory and tax incentives
- Improving flight connections from/to traditional and new markets
- Investing in and improving telecommunications and transport infrastructure
- Finding a solution with other jurisdictions to have a global licence
- Reducing waiting time for approvals and reporting requirements to government bodies
- Developing high added-value tourism (culture + leisure)
- Providing direct tax credits for staff training and retention
- Providing further incentives for high net worth individuals to work in Malta
- Striving for double taxation agreements with South America and Asian countries
- Improving usage of European funds
- Reducing government-induced costs and bureaucracy
- Being more customer oriented and improving public sector efficiency especially in departments providing services to foreigners
- Attracting big players in the respective industries
- Regenerating areas surrounding business centres and creating more green areas

The private sector would also contribute to improving Malta’s investment attractiveness if measures are taken to:

- Increase commercial premises availability
- Focus on delivering innovative products to the market allied to a continuing competitive level of business costs and taxation
- Look offshore for examples of greater efficiency and professionalism.
- Adopt more self certification/regulation
- Provide better office facilities in the centre of the island
- Tap opportunities for bridging into and out of the European areas

A number of human resource development suggestions were put forward aimed at ensuring a continuous and sufficient pool of human resources available to meet any current and future demand by:

- Increasing pool of skilled individuals through training and education opportunities
- Continuing to attract very experienced financial professionals to train locals to improve the overall talent pool
- Aligning university courses with industry requirements
- Increasing investment in human capital especially in new sectors of the economy
- Pushing a culture of hard work
- Improving English-language proficiency
- Changing labour laws to attract young and highly skilled resources and enable companies to innovate and become more efficient
- Maintaining competitive freight, water and electricity rates as well as wage costs
- Instilling business acumen in all citizens
- Improving labour flexibility
- Encouraging persons with secondary levels of education to apply for jobs in manufacturing
An introduction to the Maltese Islands

The Maltese archipelago, made up of Malta, Gozo and Comino, covers an area of 316 sq km for the three islands. The Maltese islands are located 93 km off the southern coast of Sicily and 290 km north of the shores of North Africa. With a shoreline of 200 km, Malta is the largest island, and has a population of 393,000 inhabitants. The sister island Gozo is home to approximately 25,000 inhabitants. Comino is largely uninhabited and it has a permanent population of only four residents.

Although the national language is Maltese, Malta also has English as an official language. A key advantage for Malta is that most educated Maltese can speak fluent Maltese, English and Italian. The language of the courts is Maltese but proceedings may be conducted in English.

Malta owes its name to the Phoenicians, who called it Malat, meaning safe haven. Following the rule by the Phoenicians, Malta was occupied by several foreign rulers until its independence in 1964. Following its independence, Malta moved away from a military-dependent economy to tourism, manufacturing, technology and other high value-added industries. Today, Malta’s size betrays the sophistication that the island has developed over the years. Malta also boasts an Anglo-Saxon tradition which has influenced its laws, business, professions, work ethics and structures.

MALTA AS AN EU MEMBER STATE

EU membership in 2004 and the euro adoption in 2008 meant that Malta’s government had to implement several measures to reduce and maintain the deficit, public debt, inflation and unemployment below EU benchmarks. The euro adoption has made Malta more attractive for investment purposes through reductions in transaction costs and international trade barriers.

Malta’s legislation reflects EU legislation and directives. Therefore, apart from having a legislative structure which facilitates the conduct of business in or from Malta, it provides foreign investors in Malta with the assurance of the quality and consistency synonymous with the EU.

Today, Malta has a diversified free market economy which mainly relies on tourism, manufacturing and financial services. The government encourages foreign investment and Malta enjoys good industrial relations. Malta also provides numerous financial incentives and maintains a low tax regime encouraging economic growth.

Additionally, the island offers international investors a highly advanced telecommunications network, skilled professionals and a strategic location. With Malta’s accession to the EU, the country has gained access to EU’s internal market, which seeks to guarantee free movement of goods, capital, services and people.

GENERAL OVERVIEW

Official Name: Republic of Malta
Form of State: Republic
Head of State: President George Abela
Head of Government: Prime Minister Joseph Muscat
Capital City: Valletta
Population: 416,110 (2011est.)
Population density: 1,317 per sq km
Official Languages: Maltese and English
EU Membership: 2004
Currency: Euro
Religion: 98% Roman Catholic
Power generation: 2,113 mega watt hours

ECONOMIC OVERVIEW (2012)

GDP (at market prices): €6,829.5 million
GDP per capita: €16,100
Gross national income: €6,278.9 million
Balance of payment current account: €73,757,000
Imports of goods: €6,124 million
Exports of goods: €4,209 million
Labour force: 185,426 (December 2012)
Unemployment rate: 6.5%
Inflation: 2.8% (December 2012 annual HICP rate)
Company tax rate: 35% (with exceptions)
VAT rate: 18% (with exceptions)
Tourists: 1.45 million
Licenced vehicles: 308,999

MALTAS DOUBLE TAXATION TREATIES

Albania, Australia, Austria, Bahrain, Barbados,
Bahrain, Belgium, Bulgaria, Canada, China, Croatia,
Cyprus, Czech Republic, Denmark, Egypt, Estonia,
Finland, France, Georgia, Germany, Greece,
Guernsey, Hong Kong, Hungary, Iceland, India,
Ireland, Isle of Man, Israel, Italy, Jersey, Jordan,
Korea, Kuwait, Latvia, Lebanon, Libya, Lithuania,
Luxembourg, Malaysia, Mexico, Montenegro,
Morocco, Netherlands, Norway, Pakistan, Poland,
Portugal, Qatar, Romania, Russia, San Marino,
Saudi Arabia, Serbia, Singapore, Slovak Republic,
Slovenia, South Africa, Spain, Sweden, Switzerland,
Syria, Tunisia, Turkey, UAE, Ukraine, United
Kingdom, United States, Uruguay.
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