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INSIDE: FIVE-PAGE BUDGET SPECIAL - WHY GONZI WENT OFF TARGET, AND HOW HE PLANS TO RECOUP

# LIGHTS OUT!

### Tonio Fenech's bright idea to save Gonzi's financial targets

SWITCH off your lights and get on the bus.

With no thrills and frills, Budget 2009 has left Finance Minister Tonio Fenech rummaging through people's pockets in a bid to make up for a €200 million deficit after government spending shot through the roof this year.

Lawrence Gonzi's balance budget was sent off-track in 2008 after a pre-electoral €70 million spend saw over 1,000 people being employed in the public sector in the six months before March.

Added to that is the €56 million towards the shipyard retirement schemes, a higher wage bill for the medical sector, and the cost-recovery plan for Enemalta.

Gonzi planned to close off the year with €68 million in the red. Now it's up to the middle class to pay a slew of eco-contributions and other rates to bring the deficit back on track to €68 million.

The result? Taxpayers will now be paying between €166 to €274 more every year in utility bills, while motorists will pay 4c1 per litre more for petrol and unleaded, and 2c4 more on every litre of diesel.

Car purchases, registration taxes, and licence fees will contribute a net €8 million extra to the coffers as government makes a buck by making ageing and polluting cars more expensive to keep on the road, while commercial vehicle licenses doubled to €185.

Consumers will see a 15c levy charged on their plastic shopping

bags, while increases in alcohol and cigarettes excise will give €15.1 million more to the public coffers.

And the electoral promise to cut taxes at the top band from 35% to 25% for those who earn less than €60,000 has obviously gone with the wind: the only measure taken in this regard is to raise the 35% bracket to joint earners with an income of more than €28,701, that is €700 more than last year.

Nobody will argue for a €59,000 earner to have taxes lowered to 25%, particularly at this point in time.

But if there is a signpost that really gives away the irrationality of last year's budget bonanzas, it's the income tax bands. For those filling a single computation, the yearly savings in 2009 will range between €53 and €153. Compare that with last year's savings introduced a few months before the election, ranging from €87 for the lowest income earners to €533 to those whose income starts at €19,500.

The barely recognisable adjustments to the tax bands are expected to leave a measly €12 million in taxpayers' pockets – which will only be neutralised by the utility hikes, licence fees and eco-taxes partly designed to rake in the much needed cash to reduce the deficit.

But even as economists dub its 2009 projections as too optimistic, government is intent on collecting over €80 million in income tax and VAT revenues – which can only be

made possible by a growth in the economy, something categorically doubted by economists.

After last year's pre-electoral budget that sent everyone reeling with goodies, Budget 2009 seems to have only confirmed government's ability at spending other people's money.

All that's left to do is to switch off the lights.



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