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BUDGET 2010 NO ROOM TO MANOEUVRE

- Fenech announces €80 million shortfall in projected revenue
- Revision of tax bands ruled out, subsidised medicines to be reformed
- MEA's proposal on COLA discarded – 'I don't have €12 million available'

KARL STAGNO-NAVARRA

GOVERNMENT ministries have been warned that they are to receive far less money to spend next year as the Finance ministry is desperately trying to ensure financial stability in the wake of a terrible year for the economy.

Finance minister Tonio Fenech announced yesterday that revenue projections for this year have gone astray to the tune of €80 million. Fenech also made it clear that no tax reductions

are expected to be announced in next year's budget.

Speaking during a di-ve.com business breakfast, Tonio Fenech insisted that "it is not possible in the circumstances to cut income tax."

He stressed that given the projections of no significant economic growth during 2010, he will not be taking "gamblish decisions" [sic].

Pressured by an Excessive Deficit Procedure imposed by the European Commission that has obliged government to reduce its deficit by the end of 2010, expenditure for next year is

set to hit a record low, while the state of the economy continues to keep the Finance ministry in a straitjacket with little room to manoeuvre.

Government will not even be accepting to fork out an estimated €12 million as a "one-off" part payment of the Cost of Living Adjustment (COLA), as proposed by the Malta Employers Association.

"I do not have €12m available, and if I had, I would use it to retain jobs by directly focusing on companies which require help," the finance minister said.

While no new taxes are expected to be announced, many reforms are set to be implemented during next year especially where subsidies and social services are involved.

A tougher hand is expected next year in controlling abuses in social services, while a total reform in government subsidised medicines is expected to be announced.

The country's competitiveness and creation of jobs is a priority for government during next year, while further assistance to recession hit manufacturing industries is expected to continue.

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