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FINAL FINDINGS

Eurostat EDP dialogue visit to Malta

8-10 June 2016

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EXECUTIVE SUMMARY

Eurostat carried out an EDP dialogue visit to Malta from 8-10 June 2016, accompanied by observers from the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB).

Eurostat undertook this visit in order to review the implementation of the methodology of ESA 2010 and the Manual for Government Deficit and Debt (MGDD) and to assure that Eurostat decisions are duly implemented in the Maltese EDP statistics. The visit focused on the memoranda of understanding between the NSO and the main source data providers, the list of new general government units and the units removed since the last EDP visit, the sector classification of the planned Malta Development Bank and Vault Finance, the time of recording of excise levies and income taxes collected from the international trading companies, the recording of the loan provided by the central government to the Water Services Corporation, the overestimation of government's revenue and expenditure relating to the recording of the EU flows, the capital injections in Air Malta and the possible privatization of Air Malta, planned projects that involve co-operation between the public and the private sector such as Projects Malta, the recording of revenues from the sale of mobile licenses and from the emission trading permits and the recording relating to the obligation to maintain minimum oil stockholdings.

As regards the institutional responsibilities, Eurostat welcomes the comprehensive and clear draft memorandum of understanding (MoU) between the NSO, the MoF and the Central Bank of Malta. The NSO will now send a copy of the MoU to Eurostat. Eurostat also took note of the actual work and future plans to introduce International Public Sector Accounting Standards (IPSASs) in public accounting. The Maltese statistical authorities intend to have the audited IPSASs based accounts available by 2019 for the Budgetary Central Government, whereas the old and the new system would run in parallel for some time. The NSO will inform Eurostat on any future changes that will be introduced in the source data used for the Maltese GFS compilation, as well as on any changes that will be introduced in the EDP tables.

The NSO had informed Eurostat before the visit that there were no changes in data sources since the last EDP visit. However, the production of the government accounts was undergoing significant IT developments. Eurostat welcomed the comprehensive and very clear *EDP Inventory* of Malta.

As a result of examining the latest notification of EDP data (April 2016), Eurostat invited the Maltese statistical authorities to send also the forecast data (together with a complete set of the EDP tables). Further updates of the forecast could be sent, if needed, in April and October but before the publication of the EDP tables by Eurostat. The participants also clarified several presentational issues, such as the reporting of a breakdown of the line "Treasury Clearance Fund Flows in non-financial transactions and Good Causes Fund", the inclusion of the premium accrued in the line "Difference between interest paid and accrued" and the reporting of the amounts currently included in the line "Interest receivable - Annex 8" under the item "Other accounts receivable" of EDP table 2A. In addition, Eurostat invited the NSO to implement the new provisions specified in the MGDD 2016 edition in order to comply with ESA 2010, namely the items the NSO indicated as "not implemented" in the clarification of the April 2016 EDP notification.

The participants made also several conclusions concerning the sector classification of units. They first agreed that the Maltese statistical authorities will provide to Eurostat the updated draft legislation concerning the establishment of Malta Development Bank, as well as a short report on any development concerning the type and the amount of the central government support to the planned bank and any other useful information in the EDP context. The Maltese statistical authorities also agreed to check the sector classification of Vault Finance and several holding companies according to the ESA 2010 and the MGDD. Finally, they also agreed to provide to Eurostat the list of units where the government's shareholding is between 0% and 50% as well as an analysis on whether any of these units will need to be reclassified in the general government sector.

Concerning the implementation of the accrual principle for taxes, Eurostat considers that the present accruals based method of recording of the excise levies applied by the NSO can constitute an acceptable proxy, given the circumstances and the available data, but only as long as these excise levies are 100% collectible and there would be no future accumulations of arrears. Furthermore, the Maltese statistical authorities agreed to record the cancellation of the receivable of the central government relating to the cancelled payable of excise duties of Enemalta (2.3 MEUR) in the quarter when the central government actually cancelled it. The Maltese statistical authorities also agreed to follow closely the recording of the income taxes collected from the International Trading Companies in order to ensure that, due to the specific method of tax recording in Malta, there will be no overestimation or underestimation of the central government tax revenue. In this context, the Maltese statistical authorities will inform Eurostat, on an annual basis, about the exact amounts (stocks outstanding) of cash included in the accounts held at the Central Bank of Malta as of end-December of the previous year and as of end-February of the current year.

For recording of interest, the participants agreed that Eurostat will send to the Maltese statistical authorities, as soon as possible, the new ad hoc table on the recording of interest in the EDP tables 2A and 3B and that the Maltese statistical authorities will fill in the table and send it to Eurostat.

As regards the government claims, the Maltese statistical authorities will inform Eurostat about the repayments of the loan provided by the central government to the Water Services Corporation from the time of the issuance of this loan. The Maltese statistical authorities will need to closely monitor this loan's situation in order to record a debt cancellation, if appropriate, in case of no or partial repayments.

The participants also agreed on several points concerning the recording of the EU flows. In particular, Eurostat took note that the present system of recording of the EU grants results in an overestimation of the central government revenue and expenditure. The Maltese statistical authorities are invited to remove such overestimation in their data starting from the current EU programming period (2014-2020) onwards as soon as possible. The Maltese statistical authorities will also make the respective corrections in the back series. Eurostat also asked the Maltese statistical authorities to review the data included in table 6 of the EDP questionnaire (Recording of EU flows in EDP tables) to ensure that the expenditure financed from advance payments relating to the EU grants is properly accounted for and to clarify the relationship between the lines 27 ("Transactions in Currency and deposits (F.2) relating to the EU") and 1 ("Amounts included in the working balance of EDP table 2A") of table 6 of the EDP questionnaire.

When discussing capital injections and super dividends, the focus was on Air Malta, which is among the largest public corporations in Malta. Eurostat confirmed the recent decision taken by the NSO to record the conversion of the loan of 12 MEUR to Air Malta into equity as a central government deficit increasing capital transfer in the first quarter of 2016. The participants also discussed the potential privatization of Air Malta.

Under the other items, the participants addressed PPPs and infrastructural projects, mobile phone licenses, emission trading permits, the classification of the Central Stockholding Entity and the Malta Individual Investor Programme. The participants agreed that the Maltese statistical authorities will examine whether the government is involved in any concession with the private sector concerning the construction and/or the management of fixed assets and will inform Eurostat about their findings. As regards the sale of mobile phone licenses, the Maltese statistical authorities agreed to change the recording from tax (D.29) to sales of the non-produced assets (NP). The Maltese statistical authorities also agreed to provide detailed information to Eurostat on the obligation to maintain minimum oil stockholdings, which is delegated to the authorized importers / wholesalers of fuel.

Finally, the participants discussed the recording of the recent banking resolution and deposit compensation measures and agreed to continue the discussion after the EDP visit. The Maltese statistical authorities agreed to analyze in detail the relevant legislation and to examine the possible statistical implications.

Eurostat very much appreciated the co-operation and transparency demonstrated by the Maltese statistical authorities during the meeting and the documents provided beforehand.

EUROSTAT EDP DIALOGUE VISIT TO MALTA
8-10 JUNE 2016

AGENDA

- 1. Institutional responsibilities for EDP/GFS data compilation and reporting and the quality management framework**
- 2. Follow-up of the 2014 EDP visit**
- 3. Revision policy, EDP inventory, changes in data sources**
- 4. Follow-up of the April 2016 EDP reporting – analysis of EDP tables and the related questionnaires**
- 5. Methodological issues and recording of specific government transactions**
 - 5.1. Delimitation of the general government sector
 - 5.1.1. Review of the changes in the list of general government units
 - 5.1.2. Sector classification of specific units
 - Malta Development Bank
 - 5.1.3. Government controlled entities classified outside the general government
 - 5.2. Implementation of the accrual principle
 - 5.2.1. Taxes and social contributions
 - 5.2.2. Interest
 - 5.3. Recording of specific government transactions
 - 5.3.1. Government guarantees and guarantee calls
 - 5.3.2. Government claims; debt assumptions, cancellations and write-offs
 - 5.3.3. Recording of EU flows
 - 5.3.4. Capital injections in public corporations, super dividends
 - Air Malta
 - 5.3.5. Others: privatization, PPPs, emission trading permits, sale and leaseback operations, mobile licenses, tax credits etc.
- 6. Other issues**
 - 6.1. ESA 2010 TP – GFS data
 - 6.2. The recording of the contributions to finance the recent banking resolution measures
 - 6.3. Any other business

INTRODUCTION

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Malta from 8-10 June 2016.

Ms Madeleine Mahovsky (Head of Unit D3: Excessive deficit procedure (EDP) 2) headed the delegation of Eurostat. Mr Luca Ascoli (Head of Unit D1: Excessive deficit procedure and methodology), Ms Lenka Valenta (Unit D1: Excessive deficit procedure and methodology – methodological issues) and Mr Peeter Leetmaa (Desk Officer for Malta, Unit D3) also represented Eurostat. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meetings as observers.

The National Statistics Office (NSO), the Ministry of Finance of Malta (MoF) and the Central Bank of Malta (CBM) represented Malta. Representatives from the National Audit Office, the Malta Fiscal Advisory Council, Malta Development Bank and Air Malta also participated for the relevant agenda items; the list of participants can be found in the annex.

Eurostat undertook this visit in order to review the implementation of the methodology of ESA 2010 and the Manual for Government Deficit and Debt (MGDD) and to assure that Eurostat decisions are duly implemented in the Maltese EDP statistics.

The visit focused on the memoranda of understanding between the NSO and the main source data providers, the list of new general government units and the units removed since the last EDP visit, the sector classification of the planned Malta Development Bank and Vault Finance, the time of recording of excise levies and income taxes collected from the international trading companies, the recording of the loan provided by the central government to the Water Services Corporation, the overestimation of government's revenue and expenditure relating to recording of the EU flows, the capital injections to Air Malta and the possible privatization of Air Malta, the planned projects that involve co-operation between the public and the private sector such as Projects Malta, the recording of revenues from sale of mobile licenses and from emission trading permits and the recording relating to the obligation to maintain minimum oil stockholdings.

With regard to procedural arrangements, the main conclusions and action points were sent to Malta for review after the visit. Then, within weeks, the provisional findings would be sent to Malta for review. After this, final findings would be sent to Malta and the Economic and Malta Committee (EFC) and published on the website of Eurostat.

Eurostat very much appreciated the co-operation and transparency demonstrated by the Maltese statistical authorities during the meeting and the documents provided beforehand.

1. INSTITUTIONAL RESPONSIBILITIES FOR EDP/GFS DATA COMPILATION AND REPORTING AND THE QUALITY MANAGEMENT FRAMEWORK

Introduction

The NSO informed Eurostat before the visit that there were no changes as regards institutional responsibilities, except for the fact that the NSO submitted before the visit the draft MoU between the MoF, the NSO and the CBM. This MoU had been pending since the last EDP visit in 2014 (action point 1). So far the Maltese authorities had made available to Eurostat the final MoUs between:

- the NSO and the CBM (submitted shortly after the 2014 EDP visit) and

- the NSO and the National Audit Office (submitted in February 2016).

Within the draft MoU between the MoF, the NSO and the CBM, the MoF encompasses the Budget Office, the Treasury Department and the Economic Policy Department. The purpose of this draft MoU is to formalise the current informal operational arrangements in GFS and EDP reporting and define the roles and responsibilities for each party.

The NSO also submitted a document on the implementation of the International Public Sector Accounting Standards (IPSASs) in the government accounting of Malta. The IPSASs would be implemented as "national standards based on IPSASs", which would be called "IPSASs as adopted by the Maltese Government". The draft version of the national IPSASs are available on the website of Treasury¹.

Discussion

The Maltese authorities made two presentations at the beginning of the meeting: "An update on the reform of the public accounting system" (mainly focusing on implementation of IPSASs) and "The role of the Malta Fiscal Advisory Council (MFAC) and its use of government finance statistics".

The Maltese statistical authorities intend to have the audited IPSASs based accounts available by 2019 for the Budgetary Central Government, whereas the old and the new system would run in parallel for some time. The accruals based system will also provide cash based information. The working balance of EDP table 2A would, however, remain cash-based in the foreseeable future. Eurostat asked the NSO to be kept informed about the changes affecting the EDP notifications.

The participants also discussed the relations between the MFAC and the NSO, in particular in respect of ensuring independence of the production of the fiscal data by the NSO.

Eurostat expressed satisfaction about the draft MoU between the MoF, the NSO and the CBM, which was submitted before the visit and asked the NSO to send it to Eurostat as soon as it would be signed.

Findings and conclusions

Action point 1. Eurostat welcomes the comprehensive and clear draft memorandum of understanding (MoU) between the NSO, the MoF and the Central Bank of Malta. The NSO will send a copy of the MoU to Eurostat². *Deadline: as soon as signed.*

Action point 2. Eurostat took note of the actual work and future plans to introduce IPSAS in public accounting. The NSO will inform Eurostat on any future changes that will be introduced in the source data used for the Maltese GFS compilation, as well as on any changes that will be introduced in the EDP tables. *Deadline: continuous.*

2. FOLLOW-UP OF THE 2014 EDP VISIT

The action point 13³ of the last the 2014 EDP dialogue visit had not been closed, as the NSO was waiting for further information from the Housing Authority. The Housing Authority is

¹ http://treasury.gov.mt/en/Pages/Government_Accounts_Directorate/IPSAS/Related_Documents.aspx

² On 20.07.2016 the NSO submitted to Eurostat the signed memorandum of understanding between the NSO, the MoF and the CBM.

³ Action point 13: After completion of the on-going tender process, the Maltese authorities will inform Eurostat about the details of the Housing Authority initiative to purchase residences for social housing.

the sole social housing provider in Malta. In national accounts, the Housing Authority is classified within the general government sector as an Extra Budgetary Unit (EBU). The participants agreed that the Maltese statistical authorities will monitor the situation as regards the activity of the Housing Authority and will follow up the action point 13 of the 2014 EDP visit.

3. REVISION POLICY, EDP INVENTORY, CHANGES IN DATA SOURCES

Introduction

In general, the NSO makes relatively small revisions (around 0.1 percentage points of GDP) to the government deficit and debt at the time of each EDP notification. According to the NSO, a written revision policy relating to EDP data is not in place, whereas, in fact, a short description about the relevant practice is available in the *EDP Inventory*. The NSO has also informed Eurostat that the data for years t-4, t-3, and t-2 of the EDP tables are considered as final, whereas seven years are opened for routine revisions in EDP/GFS. All data (non-financial, financial, EDP and GFS) are revised in a consistent manner.

The latest available version of the ESA 2010 based *EDP Inventory* was provided to Eurostat in October 2015. It is published on Eurostat's website⁴.

The NSO had informed Eurostat before the visit that there were no changes in data sources since the last EDP visit (see also the information on implementation of IPSASs under section 1 above). However, the production of the government accounts was undergoing significant IT developments.

Discussion

The Maltese statistical authorities explained that usually the last four years are revised, but all past years could be revised, if necessary.

Eurostat enquired about the revisions due to EU reimbursement of past expenditure, which regularly feature among the reasons behind the revisions of government deficit. The NSO explained that this is due to the fact that the management authority realized that it did not ask for reimbursement in the past, but did it only later.

Eurostat welcomed the comprehensive and very clear *EDP Inventory* of Malta. The Maltese statistical authorities informed Eurostat that there are no changes to the *EDP Inventory* since October 2015.

The Maltese statistical authorities informed Eurostat that, in the second half of 2014, a new IT database was developed in the area of the government annual and quarterly financial accounts. The NSO expects to finish a complete overhaul of the IT system for the annual and quarterly non-financial accounts of the general government by April 2018.

4. FOLLOW-UP OF THE APRIL 2016 EDP REPORTING – ANALYSIS OF EDP TABLES AND THE RELATED QUESTIONNAIRES

Introduction

Malta transmits timely and complete actual EDP data, whereas forecasted data had been so far delivered after the official EDP deadline. In addition, the authorities have been sending to Eurostat, with each EDP notification, a comprehensive set of supporting documents

⁴ See <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-inventories>

containing detailed EDP tables (separately for the main body of central government and for the EBUs) and breakdowns of several lines of the EDP tables.

Discussion

Eurostat very much welcomed the Maltese practice of sending a comprehensive set of supporting documents with the EDP notifications, which is of great help in assessing the quality of the Maltese EDP data.

The participants examined the April 2016 EDP notification tables and the *Questionnaire related to EDP notification tables (EDP questionnaire)*. The Maltese statistical authorities explained that, due to the national fiscal timetable, an up to date forecast cannot be submitted by the deadlines for the EDP notifications. They, however, agreed to submit the forecast in a timely manner from September 2016 onwards, to be updated before publication of the EDP tables by Eurostat.

In the context of the analysis of EDP tables, the participants clarified several presentational issues, such as the reporting of a breakdown of the line “Treasury Clearance Fund Flows in non-financial transactions and Good Causes Fund”, the inclusion of the premium accrued in the line “Difference between interest paid and accrued” and the reporting of the amounts currently included in the line “Interest receivable - Annex 8” under the item “Other accounts receivable” of EDP table 2A. The NSO also confirmed that there is no new information on the non-negotiable saving instruments.

Eurostat recalled that the data on trade credits and advances (AF.81 L) submitted in the EDP table 4 are estimated and cover the Budgetary Central Government only. However, the Maltese statistical authorities believe that the situation would improve when the accrual based accounting system would be developed.

Finally, Eurostat invited the NSO to implement the new provisions specified in the MGDD 2016 edition in order to comply with ESA 2010, namely the items the NSO indicated as “not implemented” in the clarification of the April 2016 EDP notification (please see the footnote linked to action point 7).

Findings and conclusions

Action point 3. Eurostat invited the Maltese statistical authorities to send also the forecast data (together with a complete set of the EDP tables). Further updates of the forecast could be sent, if needed, in April and October but before the publication of the EDP tables by Eurostat⁵. *Deadline: from September 2016 onwards.*

Action point 4. The Maltese statistical authorities will provide in the future EDP notifications a breakdown of the line “Treasury Clearance Fund Flows in non-financial transactions and Good Causes Fund⁶”. *Deadline: from September 2016 onwards.*

Action point 5. The Maltese statistical authorities will include in future EDP notifications, the premium accrued in the line “Difference between interest paid and accrued”⁷. *Deadline: from September 2016 onwards.*

⁵ On 30.09.2016 the NSO submitted forecast together with the EDP notification and informed Eurostat that it would update it by 17.10.2016.

⁶ On 30.09.2016 the NSO submitted a breakdown of the line “Treasury Clearance Fund Flows in non-financial transactions and Good Causes Fund” of EDP table 2A.

⁷ On 30.09.2016 the NSO reported the adjustment for Malta Government Stocks premium proceeds within the line "Difference between interest paid and accrued" of EDP table 2A.

Action point 6. The Maltese statistical authorities will report in future EDP notifications, the amounts currently included in the line “Interest receivable - Annex 8”, under the item “Other accounts receivable” of EDP table 2A⁸. *Deadline: from September 2016 onwards.*

Action point 7. The Maltese statistical authorities will implement the provisions specified in the MGDD in order to comply with ESA 2010. This includes the MGDD (2016 edition) provisions, which the NSO indicated as “not implemented”⁹ in the clarification of the April 2016 EDP notification¹⁰. *Deadline: by September 2016.*

5. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

5.1. Delimitation of the general government sector

5.1.1. Review of the changes in the list of general government units

Introduction

According to the NSO, the general government sector delimitation exercise is conducted twice a year, prior to each EDP notification. The number of years covered depends on the length of operation of a particular entity. As the majority of the EBUs have a financial year ending 31 December, the annual financial statements for year n-1 may not yet be ready in time for the first EDP notification. Hence, data in this case are estimated for GDP/EDP purposes, mainly based on data extracted from the Financial Data Reporting System (FDRS).

Discussion

The participants screened the list of new general government units and the units removed since the last EDP visit in 2014. The NSO explained that it had reclassified two units as a result of introduction of ESA 2010: Malta Freeport Corporation (MFC) and Malta Information Technology Authority (MITA). MFC remained outside the general government sector from 2012 onwards (and before 1999) as it passed the market / non-market test (50% criterion). MITA was classified in government as it sold output only to government (following the new "qualitative criterion" introduced by ESA 2010). There are also several new EBUs (classified in government): Valletta 2018 Foundation, Identity Malta, National Development and Social Fund and Projects Malta.

5.1.2. Sector classification of specific units

Introduction

This agenda item focused on the planned Malta Development Bank (MDB). Malta would like to set up the MDB with the main aims of addressing the financing gap for SMEs and to finance large infrastructure projects, already in 2016.

⁸ On 30.09.2016 the NSO reported the amounts previously included in the line “Interest receivable - Annex 8”, under the item “Other accounts receivable” of EDP table 2A.

⁹ The new methodological provisions in the following the MGDD chapters/sections of the 2016 edition: I.2.3. Concept of a government-controlled institutional unit; I.2.4.3. The quantitative market/non-market test; I.2.4.4. Public units in liquidation; I.2.4.5. Rearranged transactions; VI.3. Contracts with non-government units related to fixed assets; VI.5. Emission trading allowances; VII.4. Government guarantees (VII.4.1 and VII.4.2) and IV.5.2.4. Treatments followed when government is only involved by its guarantee.

¹⁰ The NSO implemented the relevant provisions of the MGDD within the October 2016 EDP notification (submitted on 30.09.2016).

Eurostat and the NSO exchanged information on the planned MDB before the EDP visit. On the basis of the available information (a draft MDB Act, financial projections and the analysis of the NSO) Eurostat provisionally concluded in April 2016 that the planned MDB should be classified outside the general government sector. It seemed that the appropriate sub sector could be "Other financial intermediaries, except insurance corporations and pension funds (S.125)". This provisional Eurostat's view was solely based on the information provided on 8 March 2016 by the NSO. Also, Eurostat reserved the right to review its opinion should the reality turn out to be different from the plans and projections submitted by the NSO.

Discussion

The participants recalled the main features of the planned MDB which are relevant for its sector classification in national accounts (MGDD I.6.6: Entities having the features of captive financial institutions): governance, constraints by government on the assets and liabilities side and other features relevant for distinction between market / non-market producers. The Maltese authorities informed Eurostat about their intention to change slightly the projections that they had provided on 8 March 2016: to have a minority part of the liabilities guaranteed by government (previously: no guarantees on liabilities). The participants agreed that the NSO will submit updated information on the planned MDB to Eurostat shortly after the EDP visit.

Findings and conclusions

Action point 8. The Maltese statistical authorities will provide to Eurostat the updated draft legislation concerning the establishment of Malta Development Bank, as well as a short report on any development concerning the type and the amount of the central government support to the planned bank and any other useful information in the EDP context¹¹. *Deadline: before the relevant legislation is enacted by the Maltese Parliament.*

5.1.3. Government controlled entities classified outside the general government

Introduction

Following Eurostat's request for information on public corporations, specifically in relation to the *Questionnaire on government controlled entities classified outside government*, reported annually to Eurostat, the Public Finance Unit of the NSO started working on a dedicated database. This database includes administrative and classification information and financial and employment data. The information is captured from the public corporations' audited accounts, starting from 2005 onwards.

Discussion

The participants screened the information included in the latest version of the *Questionnaire*. In particular, close attention was paid to the public entities Vault Finance, Selmun Palace and several holding companies.

Incorporated in 2012, Vault Finance is the holder of assets and debt previously held by Enemalta (state energy corporation). The assets are leased back by Enemalta. The debt is to be redeemed over 25 years and is guaranteed by government. The ownership and governance of Vault Finance remained unclear to Eurostat as according to the NSO it is controlled by a

¹¹ On 16.06.2016 the NSO submitted the draft MDB Act and the financial projections. The NSO provided additional information on 22.07.2016 and 24.08.2016. On 30.08.2016 Eurostat confirmed its view that the planned MDB should not be classified in the general government sector, whereas it reserves the right to review its opinion should the reality turn out to be different from the plans and projections.

"foundation". Eurostat also wondered why, according to the information from the *Questionnaire*, its number of employees is zero and whether it has been "ESA 2010 tested" as an SPV¹². As a result, the NSO agreed to clarify these issues before the October 2016 EDP notification and inform Eurostat with a view to decide on the classification of Vault Finance, a unit that holds considerable debt.

The NSO informed Eurostat that Selmun Palace is a company in liquidation with no employees, whereas the NSO has not yet implemented the relevant provision of the MGDD (see section 4 and action point 7 above). The NSO also agreed to clarify the sector classification of four holding companies.

The NSO also had yet to implement the MGDD provision on the concept of a government-controlled institutional unit (see section 4 and action point 7 above). The NSO informed Eurostat that, so far, government's control has been determined solely on the basis of ownership by government, whereas there were units where government's shareholding is between 0% and 50%. The NSO agreed to provide Eurostat with an analysis of such units and to check whether there would be a need for reclassification of any of these units inside government.

Findings and conclusions

Action point 9. The Maltese statistical authorities will provide to Eurostat the list of units where the government's shareholding is between 0% and 50%, as well as an analysis on whether any of these units will need to be reclassified in the general government sector due to the fact that such non-market or specific units are controlled by government, based on the qualitative criteria as specified in the ESA 2010¹³. *Deadline: by September 2016.*

Action point 10. The Maltese statistical authorities will clarify the sector classification of several holding companies, such as Libyan Arab Maltese Holdings, Malta University Holding Company, KM Holdings and MSE Holdings¹⁴. *Deadline: by September 2016.*

Action point 11. The Maltese statistical authorities will check the sector classification of Vault Finance according to the ESA 2010 and MGDD rules and will additionally inform Eurostat about the reasons behind the increase in the government guarantees in 2015 for this entity¹⁵. *Deadline: by September 2016.*

5.2. Implementation of the accrual principle

5.2.1. Taxes and social contributions

Introduction

The issue of the time of recording of taxes and social contributions and the application of the Council Regulation 2516/2000 started being discussed between the NSO and Eurostat at the

¹² See ESA § 2.17-2.20 and § 20.47.

¹³ On 30.09.2016 the NSO submitted an analysis of the units where government's shareholding is between 0% and 50%. As a result of this analysis, the identified eight units remained outside the public sector.

¹⁴ On 30.09.2016 the NSO informed Eurostat that Libyan Arab Maltese Holdings and MSE Holdings would be classified inside the general government sector, whereas Malta University Holding Company and KM Holdings would remain outside (and that the reclassification would be implemented after the October 2016 EDP notification).

¹⁵ On 02.09.2016 the NSO provided to Eurostat its analysis on the sector classification of Vault Finance. The NSO confirmed that Vault Finance should remain classified outside the general government sector.

EDP mission to Malta in 2006. In April 2008, the NSO sent a paper to Eurostat with a proposal for a change in the method of recording of taxes and social contributions in line with the Council Regulation 2516/2000. The tax types included in the study were VAT, income tax and social security contributions. In 2007, the aggregated sum of these three taxes represented 76% of the total taxes and social contributions, going up to 80% in 2014. Eurostat agreed with the NSO's proposal to change the method of recording to time adjusted cash (TAC) for the three main headings, VAT, income tax and social security contributions. The TAC method was implemented in the October 2008 EDP notification. The time adjustment of one month is being applied for VAT and two months for income tax and social security contributions.

However, the practice of recording revenue from the income taxes collected from the international trading companies (ITCs) differs somewhat from other income taxes. The ITCs registered in Malta pay a flat corporate tax of 35% on their chargeable income, and then, following the distribution of dividends, shareholders are entitled to a tax refund generally of 6/7ths of the tax on the gross dividend. Thus, the effective tax rate is 5%. There are however also cases where the refund of the tax differs from 6/7.

Once the refund is requested and paid, the balances in these departmental accounts, held at the CBM, representing the net income tax, are then transferred to the Consolidated Fund¹⁶ as revenue. Until such transfer, the closing balances of the accounts at the CBM are recorded in the financial accounts of government under F.2A (currency and deposits, assets) and F.8L (accounts receivable/payable, liability). The net cash flows entering the working balance from the income taxes collected from the ITCs increased significantly since 2011 and form an important part of government's revenue.

Other taxes, including excise levies, are recorded on a cash basis in the working balance and are adjusted for accruals using the Treasury's accruals template, based on the realizable debtors' balances as recorded on the books of the tax authorities. In this way, for example, the receipts of excise duties on petroleum reflect the consumption of petroleum products. The Maltese authorities had always confirmed that the excise duties are 100% collectible. Therefore, there was no need to replace the accruals based method by its proxy accepted by ESA 2010 rules – the TAC method.

Eurostat had questioned the application of the accruals based method due to accumulation of arrears of excise duties in 2012-2014. Prior to 2012, the excise duties on petroleum were being paid by Enemalta and the other operators on a regular basis with no major timing issues. Conversely, in the period 2012-2014 Enemalta experienced cash flow difficulties and thus fell behind in the payment of the duties on petroleum to the government. This issue had no impact on government deficit throughout this period due to the application of the above mentioned accruals based method by the NSO. During this period, Eurostat monitored the situation in close co-operation with the NSO. In 2014 Enemalta issued new shares for 100 MEUR, which were purchased by the Shanghai Electric Power Co (SEP). The injection by the SEP allowed Enemalta to pay off the accumulated tax liability: in 2014, Enemalta paid to government 132.1 MEUR arrears of excise duties; Enemalta cleared the remaining arrears in 2015. The payment pattern of excise levies by the fuel operators resumed to normal since 2016.

¹⁶ Consolidated Fund is the main part of the Budgetary Central Government. Its balance is reported under the working balance of EDP table 2A.

In addition, since 2012, there has been a dispute between Enemalta and central government concerning an alleged excise liability of Enemalta amounting to 2.3 MEUR. This payable was cancelled as a result of a recent in-depth investigation by the Maltese authorities.

Discussion

The participants discussed the time of recording of income taxes collected from the ITCs, the accruals based method of recording of excise levies and the cancellation of a payable of excise levies of Enemalta.

The ITCs are companies registered in Malta with essentially foreign ownership, which gives their non-resident shareholders a right of being refunded. To avoid fluctuations in the working balance, there are some nine bank accounts in the CBM, which are used for the receipts from and for refunds to the ITCs. According to the Maltese authorities, the transfers are made to the Consolidated Fund at the points in time "when reasonable amounts can be transferred". In Eurostat's view, such net amounts transferred to the working balance should remain stable over time in order to avoid overestimation or underestimation of the central government tax revenue. To this end, Eurostat asked the Maltese statistical authorities to inform Eurostat regularly about the cash stocks outstanding in the CBM accounts.

Eurostat considers the accruals based method of recording of the excise levies by the NSO as an acceptable proxy, but only as long as these excise levies are 100% collectible and there are no future accumulations of arrears. As regards the formerly disputed 2.3 MEUR excise levies liability of Enemalta, Eurostat suggested recording the cancellation of this receivable of the central government in the quarter when it was actually cancelled.

Findings and conclusions

Action point 12. Eurostat considers the accruals based method of recording of the excise levies applied by the NSO as an acceptable proxy, but only as long as these excise levies are 100% collectible and there would be no future accumulations of arrears. The Maltese statistical authorities will record the cancellation of the receivable of the central government relating to the cancelled payable of excise duties of Enemalta (2.3 MEUR) in the quarter when the central government actually cancelled it¹⁷. *Deadline: by September 2016.*

Action point 13. The Maltese statistical authorities will closely follow the recording of the income taxes collected from the International Trading Companies in order to ensure that, due to the specific method of tax recording in Malta, there will be no overestimation or underestimation of the central government tax revenue. In this context, the Maltese statistical authorities will inform Eurostat on an annual basis about the exact amounts (stocks outstanding) of the cash included in the accounts held at the Central Bank as of end-December of the previous year and as of end-February of the current year. *Deadline: each mid-March, starting 2017.*

¹⁷ On 30.09.2016 the NSO informed Eurostat that the disagreement over a transfer voucher amounting to 2.3 MEUR between Enemalta and Customs Department was settled in favour of the former and was recorded as a deficit increasing capital transfer in the second quarter of 2016.

5.2.2. Interest

Introduction

The details on the cash and accruals of interest of the Treasury Bills, Malta Government Stocks (bonds) and loans (domestic and foreign), are available in the *EDP Inventory*. Data are available instrument by instrument to the NSO.

In the working balance, the accounting basis used for the recording of interest expenditure and revenue is on a cash basis. The adjustment line for interest in EDP table 2A refers to interest expenditure of the Budgetary Central Government. The accrued interest revenue is recorded under the "Other adjustments" in EDP table 2A.

Premiums on issuance of government securities are recorded as revenue on a cash basis in the working balance of EDP table 2A. The adjustment for the premium proceeds from the issuance of Malta Government Stocks features under the category "Other financial transactions" of this EDP table. Both the premium and discount are spread over the life of the securities. The flows for the discount on government securities do not enter the working balance.

Consolidation of interest is not carried out as the amounts are insignificant.

Discussion

The participants discussed the link between data in the ad-hoc table on interest and data sources, as well as the recording of premiums and discounts. In order to have a better picture of the situation, the Maltese statistical authorities agreed to fill in an updated ad hoc table on the recording of interest (to be provided by Eurostat) in the EDP tables 2A and 3B.

Findings and conclusions

Action point 14. Eurostat will send to the Maltese statistical authorities, as soon as possible, the new ad hoc table on the recording of interest in the EDP tables 2A and 3B¹⁸. The Maltese statistical authorities will fill in the table and send it to Eurostat. *Deadline: by mid-September 2016.*

5.3. Recording of specific government transactions

5.3.1. Government guarantees and guarantee calls

Introduction

The NSO receives information on government guarantees on borrowing from the CBM on a quarterly basis. The CBM prepares a report on the position of the government guarantees including information on each individual guarantee and beneficiary, such as the issue date, limit, amount withdrawn, capital repaid and government's exposure.

Contrary to the information on government guarantees in public accounts, in national accounts government guarantees exclude guarantees on Multilateral Investment Guarantee Agency (MIGA) and International Bank for Reconstruction and Development (IBRD) and on foreign loans taken by the CBM on behalf of government, which already feature in the calculation of the external debt of government. Government guarantees include any guarantees granted by the EBUs but exclude government guarantees provided to EBUs.

¹⁸ On 29.06.2016 Eurostat sent to the NSO the updated ad hoc table on the recording of interest.

There was a large new guarantee that the government provided in 2015 to Electrogas Malta Ltd (320.5 MEUR or 3.6% of GDP). The guarantee fee would be spread over the lifetime of this guarantee (22 months) leading to negative adjustments in the line "Other accounts payable" of EDP table 2A, which complies with the ESA 2010 rules.

Discussion

The participants shortly discussed the government's guarantee on the financial derivatives of Enemed, which is excluded from the data on guarantees regularly reported by the NSO to Eurostat in the *EDP questionnaire*. According to the NSO Enemed had not paid to government a fee relating to this guarantee, whereas government has committed to retain its majority shareholding in Enemed.

5.3.2. Government claims, debt assumptions, cancellations and write-offs

Introduction

There was a debt assumption in 2014, recorded in government deficit, relating to the liquidation of Sea Malta Co. Ltd. The liquidation process had commenced in 2005, whilst in 2014, the bank requested the government to pay the balance of the company's loan of 5.8 MEUR. In December 2014, the government paid the final reimbursement to the bank in full, which was recorded as debt assumption in government accounts in 2014.

Recently, there have been no debt cancellations, the last one took place in 2005. Eurostat recalled in the October 2015 EDP clarification that the Water Services Corporation (WSC) had not repaid its loan since 2007. The outstanding amount was 5 MEUR in 2014. Eurostat communicated to the NSO that in its view, recording a debt cancellation should be considered in case this non-repayment practice would continue. Prior to the April 2016 EDP clarification, the NSO informed Eurostat that WSC had repaid 0.4 MEUR in 2015.

Discussion

The participants discussed the situation of the WSC's liability towards the central government. Eurostat was wondering how WSC would repay its liability as its total liabilities stood at around 250 MEUR in 2014, of which around 83 MEUR were guaranteed by the central government. Eurostat requested additional information on this loan and asked the Maltese statistical authorities to closely monitor the situation in order to record a debt cancellation, if necessary.

Findings and conclusions

Action point 15. The Maltese statistical authorities will inform Eurostat about the repayments of the loan provided by the central government to the Water Services Corporation from the time of the issuance of this loan. The Maltese statistical authorities will need to closely monitor this loan's situation in order to record a debt cancellation, if appropriate.
Deadline: By September 2016.

5.3.3. Recording of EU flows

Introduction

All units involved in the administration of the EU funds are classified in the central government. The "time of expenditure" method, as suggested by the MGDD, had been implemented for the EU flows from the EU Funds programming periods 2007-2013 and 2014-2020. The "pending claims" method, which was phased out in 2014, was used for recording of the EU Funds programming period 2004-2006. There were no market regulatory agencies in Malta, which were acting on behalf of the European Union.

The NSO records the EU flows, where the final beneficiaries are non-government units, as part of government revenue and expenditure (without impacting government deficit), which is not in line with the relevant rules. The NSO recalled, for example, in the April 2015 EDP clarification, that the EU Funds that pass through the Consolidated Fund are not being split according to the final beneficiary. Therefore, when the final beneficiary of the EU Funds is not in the government sector, with the exception of the agriculture and education funds, the expenditure and revenue are recorded under capital transfers payable and receivable of government respectively. For example, such an amount included in the revenue and expenditure of government was 34.9 MEUR (0.4% of GDP) in 2015.

Discussion

The participants discussed the overestimation of government revenue and expenditure and the reporting of the data on the EU flows in the *EDP questionnaire* (table 6: "Recording of EU flows in EDP tables"). The NSO had informed Eurostat that it does not have the relevant data sources and, moreover, removing the overestimation would be resource demanding. Also, currently, there is no integrated system of the national accounts, the balance of payments and the GFS in Malta. The transactions involved are other subsidies on production (D.39), current transfers (D.7) and capital transfers (D.9). The participants agreed that the NSO will bring the relevant recording in line with the rules, starting from the new EU Funds programming period 2014-2020.

As for the data reporting on the EU flows in the *EDP questionnaire* table 6, it seemed to Eurostat that the NSO may need to report in line 7 ("Expenditure financed from advance payments") the amounts that are currently reported in line 6 ("Expenditure made on behalf of the EU"). As a result, the Maltese statistical authorities agreed to ensure that the expenditure financed from advance payments relating to the EU grants is properly accounted for. The Maltese statistical authorities also agreed to clarify the relationship between the lines 27 and 1 of table 6 of the *EDP questionnaire*.

Findings and conclusions

Action point 16. Eurostat took note that the present system of recording of the EU grants results in an overestimation of the central government revenue and expenditure. The Maltese statistical authorities are invited to remove such overestimation in their data starting from the current EU programming period (2014-2020) onwards. *Deadline: as soon as possible.* The Maltese statistical authorities will also make the respective corrections in the back series. *Deadline: by December 2017.*

Action point 17. The Maltese statistical authorities will review the data included in table 6 of the *EDP questionnaire* (Recording of EU flows in EDP tables) to ensure that the expenditure financed from advance payments relating to the EU grants is properly accounted for¹⁹. *Deadline: by September 2016.*

Action point 18. The Maltese statistical authorities will explain why line 27 ("Transactions in Currency and deposits (F.2) relating to the EU") of table 6 of the *EDP questionnaire* seems unrelated to line 1 ("Amounts included in the working balance of EDP table 2A")²⁰. *Deadline: by September 2016.*

¹⁹ On 30.09.2016 the NSO provided relevant information to Eurostat.

²⁰ On 30.09.2016 the NSO provided relevant information to Eurostat.

5.3.4. Capital injections in public corporations, super dividends

Introduction

Information on government's capital injections (in cash or in kind) into public corporations is available, either before or after the event, through the Government Finance Statistics Committee and the good cooperation with the MoF. It is common practice that the MoF, before taking a decision related to a capital injection into a public corporation, consults the NSO in respect of the capital injection test. The local government sector does not hold financial investments in companies and therefore neither provides capital injections nor receives dividends.

Air Malta is among the largest public corporations in Malta. It had struggled in recent years (it had been loss-making since 2003), with the government first intervening in 2010 to keep it solvent and the EU subsequently approving 130 MEUR in state aid on the condition that the airline was restructured. Air Malta received a loan from government in 2010 and annual capital injections from 2012 onwards. All injections to Air Malta have been treated as capital transfers, as the company had been loss-making. As for 2015, 40 MEUR of the total 43 MEUR recorded as capital transfer was a conversion of the above-mentioned loan into equity. 3 MEUR was paid to Air Malta in accordance to the Subscription Agreement signed between the government and Air Malta in 2012. The NSO had indicated in the *EDP Inventory* that the remaining 12 MEUR would be converted into equity in 2016. The NSO confirmed before the visit that the 12 MEUR were converted into equity in the first quarter of 2016.

There were also plans to privatize Air Malta. Government intended to sell a minority stake (probably 49%) in Air Malta. A Memorandum of Understanding was signed on 26 April 2016 with AZ (Alitalia). A due diligence process was in progress at the time of the EDP visit. A target date of end of July 2016 was set to agree on a final contract.

There were no super-dividends recorded in 2014-2015 as there had not been withdrawals exceeding profits. The NSO requests from the Budget Office (part of the MoF) information on dividends received by company, amounts involved, received date, reference periods and occurrences of interim dividends. The super-dividend test for the CBM's transfers to government, for the current year, is applied once the CBM's audited accounts are available to the NSO. This is usually around the beginning of April. For the other public corporations, the super dividend test is applied when preparing the April EDP notification. The NSO compares the individual data supplied by the Budget Office with the profit before tax data from the audited accounts. In the absence of audited accounts, the NSO either uses data from the FDRS or requests the particular entity to forward their accounts.

Discussion

Eurostat enquired whether there are plans for capital injections by government in 2016. The Maltese authorities confirmed that currently there are no such plans, except for the Malta Industrial Parks, which receives capital injections on an annual basis, and which are recorded as expenditure of government.

The representative of Air Malta gave a presentation on the financial situation and the outlook for Air Malta. Air Malta had exited the restructuring plan on 31 March 2016. Eurostat wondered how Air Malta coped with the losses it had since 2003. According to the representative, Air Malta was successful in the previous decade and accumulated wealth that it could use during the difficult times.

The conversion of 12 MEUR into equity of Air Malta was part of the restructuring plan and not linked to the planned privatization. Eurostat agreed with the NSO to record the 12 MEUR injection as a deficit increasing capital transfer in the first quarter of 2016. The NSO agreed to keep Eurostat posted on any new event relating to the possible privatization of Air Malta.

The NSO follows the rules on interim dividends of the MGDD, but interim dividends are not common in Malta.

Findings and conclusions

Eurostat confirmed the recent decision taken by the NSO to record the conversion of the loan of 12 MEUR to Air Malta into equity as a central government deficit increasing capital transfer in the first quarter of 2016.

5.3.5. Others: privatization, PPPs, emission trading permits, sale and leaseback operations, mobile licenses, tax credits etc.

Introduction

PPPs and infrastructural projects

As regards infrastructural projects, the government had set up a 100% government-owned company Projects Malta. As outlined in the 2015 budget, Projects Malta will be facilitating a number of Public Private Initiatives on a number of projects. These include alternative modes of commuting between the localities of the Grand Harbour and Marsamxett Harbour Areas. Together with the private sector, the government is also looking at the possibility of building a breakwater between Valletta and Sliema. Among other benefits, it would facilitate the development of yacht marinas in the area. Other future projects include PPPs related to car parks.

Mobile phone licences

As for the mobile licenses, the table on the allocation of electromagnetic spectrums submitted by the NSO to Eurostat in March 2016 shows that all allocations after 2009 have been insignificant.

Emission trading permits

Concerning the emission trading permits, the competent authority responsible for the overall implementation and administration of the EU ETS in Malta is the Environment Resources Authority (ERA). The ERA provides all the necessary data to compile the method of recording revenue from the proceeds of auctioning of the emission trading units. The model used to record the emission trading permits in Malta's national accounts is according to the formula in the MGDD. The payments for emission permits, issued by governments under cap and trade schemes, should be recorded as other taxes on production (D.29), on an accrual basis, in the year of surrender of the permits. The timing difference between the cash payments received by government for the allowances and the time of recording of the tax revenue in national accounts gives rise to a financial liability (F.89) for government. In Malta, the only stationary installations are the Enemalta's power stations, while the main aircraft operator is Air Malta.

Central Stockholding Entity

In December 2013 the NSO had informed Eurostat that Malta does not have a Central Stockholding Entity (CSE). The task for meeting the obligations of Council Directive 119/2009²¹ was delegated to the economic operators.

The Malta Resources Authority, classified within the general government sector, is the regulator of the resources sector, with wide ranging responsibilities, essentially involving regulation of practices, operations and activities in the energy, water and minerals sectors.

Regarding the fuel security stocks, Enemalta had been given part of the responsibility to maintain the required oil stocks through existing local storage sites as well as commercial stock-holding arrangements through fuel supply contracts and as a consequence covered the obligation for the whole market. In the government's financial estimate for 2014, within the Ministry for Energy and the Conservation of Water, the government allocated 1.5 MEUR to Enemalta's fuel security stock. In the national accounts this amount was treated as a subsidy.

As from January 2013, with the entry into force of Council Directive 2009/119/EC, the obligation to maintain the minimum stockholding had been delegated to six authorised importers and/or wholesalers which release fuel for inland operations in proportion to their share of the market.

The Malta Individual Investor Programme

The Malta Individual Investor Programme (MIIP) was discussed already at the 2014 EDP visit. The MIIP allows foreign individuals and their families who contribute to the economic development of Malta to apply for Maltese citizenship, subject to certain provisions. It was concluded after the 2014 EDP visit (action points 14 and 15) that the receipts by government would be recorded on a cash basis and that the revenue would be recorded under P.131 "payments for non-market output".

The proceeds from the MIIP are being recorded as government revenue. 30% of the proceeds are recorded in the Consolidated Fund, while 70% are currently being recorded within the item "Treasury Clearance Fund Flows in non-financial transactions" in EDP table 2A, until the National Development and Social Fund would be set up. The Fund would be classified within the general government sector as an EBU.

Discussion

The participants discussed various planned projects that involve co-operation between the public and the private sector, whereas it seems that there are no projects in the pipeline which would qualify as PPPs in the framework of ESA 2010. The planned tunnel under Valletta is of a concession-type. The Maltese authorities also informed Eurostat that private companies would renovate three hospitals and this would not involve financing or guarantees by government, whereas the buyer of the services will be government. Eurostat asked the Maltese statistical authorities to provide information on any possible concessions, which involve building or management of infrastructure, i.e. which would involve gross fixed capital formation.

Concerning the mobile licenses, Eurostat recalled that, according to the current rules, government revenue should be recorded in the period when the spectrum becomes usable.

²¹ Council Directive 2009/119/EC of 14 September imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products, see <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:265:0009:0023:EN:PDF>

The NSO confirmed that it is not aware of time lags between the auctions and the time when the spectrums become usable. The NSO also confirmed that all licenses are transferable and therefore would be recorded as sales of non-produced assets (NP).

Eurostat agreed with the way the NSO records government revenue from the emission trading permits.

The participants also discussed the obligation to maintain minimum oil stockholdings by Enemed²² and by five other private companies. Eurostat asked the NSO to provide detailed information, in particular whether the rules applied for Enemed and for the other companies were the same and what the companies receive in exchange for their services.

Finally, the participants also discussed the developments concerning the MIIP. The NSO agreed to inform Eurostat when the National Development and Social Fund would be set up. Also, the Maltese statistical authorities confirmed that there are no energy performance contracts in Malta.

Findings and conclusions

Action point 19. The Maltese statistical authorities will examine whether the government is involved in any concession with the private sector concerning the construction and/or the management of fixed assets and will inform Eurostat about their findings. *Deadline: by December 2016.*

Action point 20. As regards the sale of mobile phone licenses, the Maltese statistical authorities will change the recording from tax (D.29) to sales of the non-produced assets (NP)²³. *Deadline: by September 2016.*

Action point 21. The Maltese statistical authorities will provide detailed information to Eurostat on the obligation to maintain minimum oil stockholdings, which is delegated to the authorised importers / wholesalers of fuel (e.g. how government compensates these entities for the oil stockholding task on behalf of government, etc.)²⁴. *Deadline: by September 2016.*

6. OTHER ISSUES

6.1. ESA 2010 TP – GFS data

Please see the issue of overestimation of the government revenue and expenditure due to the recording of the EU flows under item 5.3.3 above.

6.2. The recording of the contributions to finance the recent banking resolution measures

Introduction

A national resolution entity was established in Malta by the end of 2015. The responsible authorities, the MoF, the CBM and the Malta Financial Services Authority (MFSA), decided that the Resolution Authority and the underlying structures should be established within the MFSA. In this respect, amendments to the MFSA Act were passed on 17 July 2015

²² Enemed Company Ltd was established on 1 September 2014 and is a wholly owned subsidiary of the state owned Petromal Company Ltd.

²³ The NSO implemented this change in the recording in the October 2016 EDP notification.

²⁴ On 30.09.2016 the NSO provided detailed information on this matter.

establishing the Resolution Authority, the Resolution Committee and the Resolution Unit. The law transposing the BRRD²⁵ in Malta, which is called the Recovery and Resolution Regulations, was passed by the Parliament on 18 September 2015. In national accounts, the MFSA is classified inside the financial corporations sector (S.12). The NSO provided web links to the Act establishing the Resolution Authority²⁶ and underlying structures, to the Act transposing the BRRD²⁷ and to the Depositor Compensation Scheme Regulations²⁸ before the visit.

Discussion

The participants shortly discussed the recording of the recent banking resolution and deposit compensation measures and agreed to continue the discussion after the EDP visit. The Maltese statistical authorities agreed to analyse in detail the relevant legislation and to examine the possible statistical implications.

Findings and conclusions

Action point 22. The Maltese statistical authorities will analyse in detail the recovery and resolution legislation and the Depositor Compensation Scheme regulation as well as the recent amendments to the Malta Financial Services Authority Act, in order to examine the possible statistical implications (including the sector classification of these entities in national accounts) and provide their analysis to Eurostat. *Deadline: by August 2016.*

²⁵ BRRD: Directive 2014/59/EU of the European Parliament and of the Council of 15th May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.

²⁶ <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8804>

²⁷ <http://justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=12400&l=1>

²⁸ <http://www.justiceservices.gov.mt/downloaddocument.aspx?app=lom&itemid=10424>

ANNEX

EUROSTAT EDP DIALOGUE VISIT TO MALTA

8-10 JUNE 2016

LIST OF PARTICIPANTS

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Madeleine Mahovsky – Head of Unit D3: Excessive deficit procedure (EDP) 2
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Lenka Valenta – Methodological issues – Unit D1: Excessive deficit procedure and methodology
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