

Memorandum for Cabinet by the Hon.Minister of Trade, Industry & AgricultureProposal for Protection to the local
Footwear Industry

The Footwear Manufacturers' Association request a higher measure of protection either by way of import restrictions or imposition of a higher rate of duty on all types of imported shoes. The manufacturers contend that the flooding of the local market with imported shoes together with the introduction of the Leather Goods and Shoes Wages Council Wage Regulations, their industry is meeting serious marketing and financial difficulties which it cannot overcome unless Government intervenes.

2. On a previous request by the footwear industry the Import Duties Act 1964 was amended as follows: T.N. 6405 Parts of footwear (including uppers, insoles and screw-on heels), of any material except metal.

	Duty	
	General	Preferential
A. Uppers of leather		
(i) Heels and soles	40%	30%
B. Other	0	0

3. Further protection is afforded under Ch. 64 and the duty on ready made imported shoes ranges from 15% but not less than -/9d. per pair (general) to 40% but not less than 12/- per pair (general).

4. The Ministry of Trade, Industry and Agriculture proposed in December 66 to the Ministry of Finance (a) prohibition of imported shoes which can be manufactured in Malta of a c.i.f. value between 5/- and 50/- each and (b) imposing a higher rate of duty on shoes allowed to be imported. These recommendations were conditioned to (i) local manufacturers agreeing to have all their products stamped with the words "Made in Malta" and (ii) manufacturers binding themselves to maintain price and quality.

5. The prohibition of imports of the categories of shoes mentioned above will necessarily bring a reduction in the returns of duty in the region of £20,000 p.a. But this reduction will be partially offset if a protection rate of 75/65% is imposed on imported shoes of a c.i.f. value of over 50/- and a levy corresponding to a low rate of duty of 5% on raw materials used in the manufacture of footwear. The 5% duty will hardly affect the cost of production. The Manufacturers' request was referred to the Tariff Advisory Committee for further consideration. The Tariff Advisory Committee did not recommend the manufacturers' request for protecting leather shoes. Regarding plastic shoes, however, the Committee remarked that they will go into the question of protecting this new industry when production commences.

6. This industry employs 312 workers but should local demand increase as a result of the further protective measures proposed above, employment is expected to rise to 831. It is moreover a known fact that a number of retailers are selling the local product for imported footwear, pocketing in this way, the duty.

7. Having regard to the relatively high standard of the local product the industry deserves full encouragement. In the circumstances the Ministry of Trade, Industry and Agriculture recommends the arrangement proposed in para. 4 and 5 above.

8. Details regarding local production, value of imported ready made shoes etc., are given in attached schedule.

9. Honourable Ministers may wish to endorse the recommendations made by the Ministry of Trade, Industry and Agriculture.

30th September 1968

MIDT 334/64

Facts and Figures about the Shoe Manufacturing
Industry in Malta as at February 1967

Employment:	Actual	312
	Potential	831
Production Annual:	Actual	396,000 pairs
	Potential	1,158,000 pairs

cost ex-factory	<u>Shoes</u>	<u>Sandals</u>
Gents'	22/- to 35/-	13/6 to 20/-
Ladies flat	16/- to 32/-	14/- to 22/-
High Heel	22/- to 38/-	16/- to 26/-
Children's	11/- to 25/-	9/6 to 20/-

Imported shoes for Home Consumption during 1966

	<u>Pairs</u>	<u>Value</u>	<u>Duty</u>
Plastic	499,102	£153,104	£28,666
Leather	256,336	£171,993	£57,172

Memorandum for Cabinet by the
Hon. Minister of Trade, Industry and Agriculture
regarding the extension of Income Tax Holiday
in respect of expansion projects under the Aids
to Industries Ordinance

In terms of the Aids to Industries Ordinance, 1959 exemption from income tax on profits or part of the profits made by an industrial undertaking may be granted by the Governor General for a period not exceeding ten years from production day.

2. A number of firms so aided have expanded once, twice and three times in some cases - and for every expanded project applications for new tax holidays and other benefits were forthcoming. After very strong representations the Ministry of Overseas Development agreed that grant/loan benefits be extended - to such expansions and this principle has been in application for some time. The then Aids to Industries Board consistently with this policy recommended certain expansion profits for tax exemption on the basis that as expansion projects were eligible for the same assistance as original projects and for this reason were deemed to be a separate project from the original one, it was not considered appropriate to discriminate between grants, etc., and tax benefits.

3. Attempts were made to work out with the Inland Revenue Department a suitable formula for the computation of exempt tax in respect of such expansions. Although the Ministry of Trade, Industry and Agriculture considered that it was not impossible to find such a formula, admittedly it had proved difficult to reach agreement with the Commissioner of Inland Revenue. In fact a formula for expansion profits of firms previously unexempt has been agreed and is functioning very well, but no progress could be made on previously exempt projects. Further attempts at seeking a compromise were only abandoned after the Crown Advocate General had ruled that under the current legislation no tax concessions could be given beyond the maximum period of ten years.

4. In the face of this development this Ministry took the matter up with the Ministry of Finance, Customs and Port, the Ministry of Justice and Parliamentary Affairs and the Crown Advocate General and an amendment to the Aids to Industries Ordinance was drafted and approved by all parties a considerable time ago. This amendment makes it unequivocally clear that the provisions of para. 13 (1) of the United Kingdom/Malta Double Taxation Arrangement are applicable to such expansion projects. The issue was however also referred to the British Government and they agreed to allow expansion projects to qualify for the benefits under para. 13 (1) of the United Kingdom/Malta Double Taxation agreement.

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5. The proposed amendment is attached for consideration by Ministers. It is my Ministry's view however, that this matter deserves a high degree of priority. As Hon. Ministers may be aware, a project which is held up on account of this matter is that of Malta Rubber Ltd., in respect of which the British Government approved a grant of 40% of capital assets up to a maximum of £282,400 in March of this year. This additional phase of development is expected to generate eventually an additional employment of 730 persons. The Company is also considering further expansion which will generate employment for over 700 workers. This Company, however, is reluctant to proceed with these expansion projects until the Law is amended. It may be pointed out here that Malta Rubber Ltd. is one of the most successful of our aided industries and there is no doubt that the employment forecast would be reached without difficulty. I had to issue a letter of intent committing Government to this benefit in anticipation of the enactment of the necessary legislation. Another very important aspect of this project is moreover the fact that once the necessary formalities concerning this project are finalized, the problem concerning utilization of the huge Rigg Welts factory would be resolved once and for all.

6. In the circumstances, Hon. Ministers are solicited to agree to the amendment of the Aids to Industries Ordinance and to direct that action be taken for the enactment of the required amendment at the first opportunity.

7th October 1968

MTIA 618/67

A B I L L

entitled

AN ACT further to amend the Aids to Industries Ordinance, 1959.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the House of Representatives of Malta, in this present Parliament assembled, and by the authority of the same, as follows:-

Short title 1. This Act may be cited as the Aids to Industries (Amendment) Act, 1968, and shall be read and construed as one with the Aids to Industries Ordinance, 1959, hereinafter referred to as "the principal law".

Amendment of Section 2 of the principal law.

2. Section 2 of the principal law shall be amended -
 (a) by renumbering the section as subsection (1) of section 2;

 (b) by the addition of the following new subsection at the end thereof:-

"(2) For the avoidance of doubt it is hereby declared that notwithstanding any exemption or relief from the payment of any tax or duty granted under this Ordinance in respect of any industrial undertaking, the Governor-General may, after such consultation as may be required by this Ordinance, make a further order or further orders under sections 6 and 7 of this Ordinance in respect of any expansion of the undertaking aforesaid, and, in respect of any such expansion or of any further expansion thereof, any such exemption or relief may be

ABBOZZ TA' LIĠI
msejjah

Att biex ikompli jemenda l-Ordinanza ta' l- 1959 dwar l-Għajjnuna lill-Industriji.

IL-WISQ Eċċellenti Maesta' Taghha r-Regina, bil-parir u kunsens tal-Kemra tad-Deputati ta' Malta, imlaqqgħe f'dan il-Parlament, u bl-awtorita' ta' l-istess, harget b'liġi dan li ġej:-

Titolu
fil-qosor

1. Dan l-Att jista' jissejjah l-Att ta' l-1968 li jemenda l-Ordinanza dwar l-Għajjnuna lill-Industriji u għandu jinqara u jiftiehem haġa waħda ma' l-Ordinanza ta' l-1959 dwar l-Għajjnuna lill-Industriji, hawnhekk iżjed 'il-quddiem imsejha "il-liġi prinċipali".

Emenda ta'
l-artikolu
2 tal-liġi
prinċipali

2. L-artikolu 2 tal-liġi prinċipali għandu jiġi emendat:-

(a) billi l-artikolu jiġi numerat mill-ġdid bħala subartikolu (1) ta' l-artikolu 2;

(b) billi jiġdied is-subartikolu ġdid li ġej fit-tarf tiegħu:-

"(2) Biex jiġi evitat dubbju qed jiġi hawnhekk dikjarat illi indipendentement minn kull kwalunkwe eżenzjoni jew helsien mill-hlas ta' xi taxa jew dazju mogħtija skond din l-Ordinanza relattivament għal xi impreza industrijali, il-Gvernatur-Generali jista', wara dik il-konsultazzjoni li tista' tkun meħtieġa b'din l-Ordinanza, jagħmel ordni iehor jew ordnijiet ohra skond l-artikoli 6 u 7 ta' din l-Ordinanza relattivament għal kwalunkwe espansjoni ta' l-impreza fuq imsemmija, u, relattivament għal kwalunkwe espansjoni bħal dik jew għal kwalunkwe espansjoni ohra tagħha, kull estensjoni jew helsien bħal dawk jistgħu jingħataw għal dak il-perijodu kif provdut bl-imsemmija artikoli 6 u 7, rispettivament, u suġġetti għal dawk il-kundizzjonijiet u l-ghoti ta' dik is-sigurta' li l-Gvernatur-Generali jidhrulu xierqa."

Skopijiet u Raġunijiet

L-iskop ta' dan l-Abbozz huwa biex inehhi dubbju dwar jekk impreza industrijali li dwarha tkun ingħatat eżenzjoni jew helsien minn taxa jew dazju tista' tingħata eżenzjoni jew helsien iehor relattivament għall-espansjoni ta' l-impreza.

allowed for such period as is provided in the said section 6 and 7, respectively, and subject to such conditions and the giving of such security as the Governor-General thinks fit".

Objects and Reasons

The object of the Bill is to remove doubts as to whether an industrial undertaking in respect of which an exemption or relief from tax or duty has been granted may be granted a further exemption or relief in respect of any expansion thereof.