5. GOVERNMENT FINANCE

In the fourth quarter of 2024, the general government deficit widened in level terms when compared to that recorded in the corresponding period of 2023. When measured on a four-quarter moving sum basis, the general government deficit ratio stood at 3.7% of GDP, being higher than in the third quarter of 2024, but below the 4.7% registered at end-2023. Similar movements can be observed in the Bank's estimate of the cyclically-adjusted balance.

The general government debt-to-GDP ratio reached 47.4% at the end of December, higher than in September, but slightly lower than the 47.9% posted at end-2023. The net financial worth as a share of GDP worsened in the quarter under review, both in quarterly and annual terms.

Quarterly developments

General government balance registers a larger deficit in fourth quarter

In the fourth quarter of 2024, the general government registered a deficit of €750.4 million, an increase of €169.8 million when compared to the deficit registered in the corresponding period of 2023. This was due to a strong increase in government expenditure offsetting that in government revenue. The primary deficit widened to €678.4 million in the quarter under review, from €516.2 million a year earlier.

Tax inflows support revenue growth

In the fourth quarter of 2024, general government revenue increased by €335.9 million, or 19.1%, when compared with the same quarter of 2023 (see Table 5.1). Inflows from current

Table 5.1
REVENUE, EXPENDITURE AND DEBT
EUR millions

	2023	2024				Change 2024Q4-2023Q4	
	Q4	Q1	Q2	Q3	Q4	Amount	%
Revenue	**1,754.2**	**1,690.4**	**1,993.4**	**2,010.3**	**2,090.1**	**335.9**	**19.1**
Taxes on production and imports	505.2	518.0	562.6	565.5	463.9	-41.3	-8.2
Current taxes on income and wealth	611.7	690.5	853.5	875.4	962.4	350.7	57.3
Social contributions	296.7	273.8	284.1	286.5	327.6	30.9	10.4
Capital and current transfers receivable	150.6	36.0	89.5	92.5	104.9	-45.7	-30.4
Other(1)	190.0	172.1	203.6	190.4	231.3	41.4	21.8
Expenditure	**2,334.7**	**1,807.1**	**1,969.0**	**1,992.9**	**2,840.5**	**505.8**	**21.7**
Compensation of employees	493.7	513.1	518.1	556.3	628.6	134.9	27.3
Intermediate consumption	458.0	348.5	429.9	398.6	531.9	73.9	16.1
Social benefits	400.7	504.0	464.9	407.9	453.8	53.1	13.2
Subsidies	275.2	118.8	92.8	156.5	183.5	-91.7	-33.3
Interest	64.4	64.2	60.0	70.1	72.0	7.6	11.8
Other current transfers payable	150.0	83.7	184.0	125.6	205.2	55.2	36.8
GFCF	271.2	138.4	169.2	200.2	230.0	-41.2	-15.2
Capital transfers payable	215.0	32.8	45.8	72.7	515.0	300.0	139.5
Other(2)	6.5	3.5	4.3	4.8	20.5	14.0	
Primary balance	**-516.2**	**-52.5**	**84.4**	**87.5**	**-678.4**	**-162.2**	
General government balance	**-580.5**	**-116.7**	**24.4**	**17.4**	**-750.4**	**-169.8**	
General government debt	**9,830.7**	**10,038.1**	**10,112.1**	**10,170.3**	**10,648.4**		

Source: NSO.

(1) "Other" revenue includes market output as well as income derived from property and investments.

(2) "Other" expenditure principally reflects changes in the value of inventories and in the net acquisition of valuables and other assets.

taxes on income and wealth, were the main contributor to the increase. These rose by €350.7 million, primarily as a result of higher income tax inflows from companies. Part of these inflows materialised earlier than usual, boosting revenue for December. Income from sales also increased significantly, and was the main factor behind the €41.4 million increase in 'other' revenue. Moreover, inflows from social contributions rose by €30.9 million, reflecting favourable labour market conditions.

On the other hand, inflows from capital and current transfers decreased by €45.7 million, mainly reflecting lower inflows from grants. Inflows from taxes on production and imports declined by €41.3 million, after rising at a strong pace throughout the rest of the year. The profile of this category of taxes is largely driven by the receipt of VAT revenue.

Capital spending main factor behind rise in expenditure

Total government expenditure increased by €505.8 million, or 21.7%, when compared with the fourth quarter of 2023. This increase reflects mainly higher current expenditure, particularly higher spending on compensation of employees and intermediate consumption. Spending on compensation of employees increased by €134.9 million, in part due to higher payments on allowances. This was particularly due to a new collective agreement for educators, which included backdated payments. Outlays on intermediate consumption increased by €73.9 million largely due to higher outlays in the health, public administration, and education sectors.

Spending on social benefits rose by €53.1 million, largely on the back of higher spending on retirement pensions. Current transfers increased by €55.2 million due to higher transfers to the EU and an increase in transfers to church schools, following the recently agreed collective agreement. Moreover, interest payments increased by €7.6 million. On the other hand, spending on subsidies decreased by €91.7 million, mostly reflecting the reclassification of support to Air Malta plc.

Overall, capital expenditure increased strongly in the fourth quarter. GFCF decreased by €41.2 million, mostly due to a fall in domestically-financed projects. However, this was offset by a €300.0 million rise in capital transfers, due to one-off and exceptional payments. In part, this includes the abovementioned reclassification of transfers following the winding down of Air Malta. It also reflects a one-time injection following the setup of KM Malta Airlines. At the same time, there were strong increases in outlays on ongoing capital projects, mostly reflecting electricity distribution and ongoing work in industrial parks.

Debt increases

In December 2024, the stock of general government debt amounted to €10,648.4 million, €478.1 million higher than in September. This reflects an increase in short-term debt securities outstanding (composed of Treasury bills), and a rise in long-term debt securities outstanding (composed of MGS). The former rose by €327.7 million, with its share in total debt increasing by 2.9 percentage points to 6.5%. While holdings of long-term debt securities increased by €135.1 million, their share in total debt declined by 2.4 percentage points to 80.0%.

The value of loans outstanding increased by €16.0 million, due to a rise in long-term loans. The share of loans outstanding in total debt declined slightly by 0.3 percentage points to stand at 9.5%.

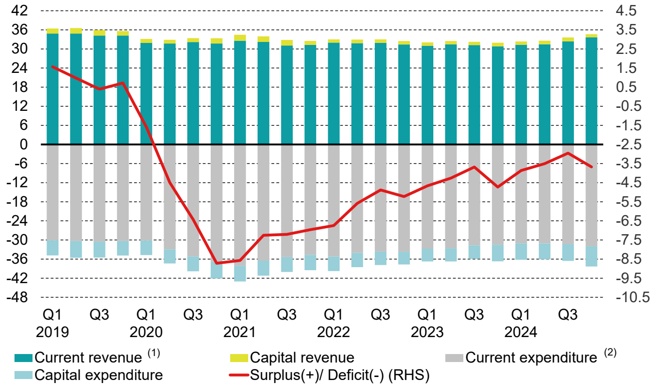
Headline and cyclically-adjusted developments

Headline deficit and debt ratios higher compared to September

When measured on a four-quarter moving sum basis, the general government deficit-to-GDP ratio widened from the previous quarter, by 0.7 percentage points, to close 2024 at 3.7% (see Chart 5.1). This was driven by a 1.8 percentage-point rise in the expenditure-to-GDP ratio, which reached 38.3%, due to a rise in the share of capital expenditure in GDP from 36.6% in the third quarter. This offset an increase of 1.0 percentage point in the revenue-to-GDP ratio, which reached 34.6%. The latter increased due to a higher share of current revenue in GDP offsetting a small decline in the share of capital revenue.

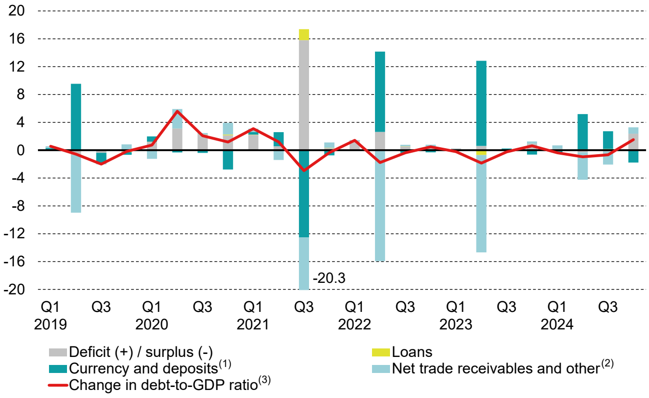
Over the year as a whole, the deficit shrank by 1.0 percentage point from 4.7% at end-2023. This was due to a 2.7 percentage-point increase in the share of revenue in GDP, mainly due to a higher current revenue share. This was more significant than the rise in the share of expenditure in GDP.

Chart 5.1
GENERAL GOVERNMENT REVENUE AND EXPENDITURE
(four-quarter moving sums; % of GDP)



Sources: NSO; Central Bank of Malta.
(1) The term 'current revenue' represents most tax revenue as well as income from investments and sales. 'Capital revenue' mainly represents capital taxes and grants received.
(2) The term 'current expenditure' mainly represents spending on wages, social benefits and operational and maintenance expenses. 'Capital expenditure' mainly represents spending on investment and capital transfers.

Chart 5.2
CONTRIBUTION TO CHANGE IN DEBT
(percentage point change from previous quarter)



Source: Central Bank of Malta.
(1) Composed mainly of transactions in deposits held with the Central Bank of Malta.
(2) Also includes transactions related to shares and other equity and adjustments for valuation and volume effects.
(3) GDP data are four-quarter moving sums.

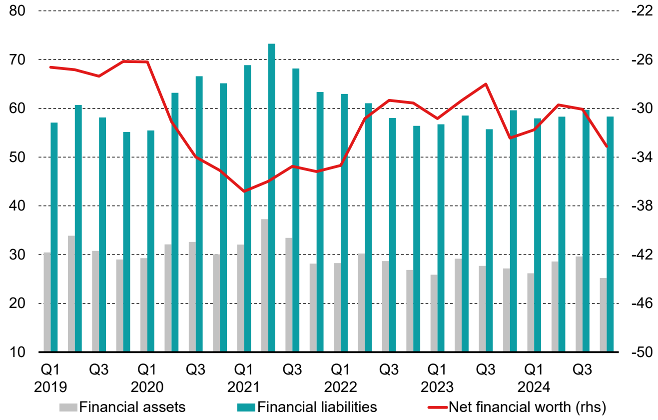
Between September and December 2024, the debt-to-GDP ratio increased by 1.5 percentage points, from 45.9% to 47.4% (see Chart 5.2). This was driven by the budget deficit as well as positive deficit-debt adjustments from net trade receivables.

Net financial worth worsened

The market value of financial assets held by the general government declined to €5,664.0 million by December 2024, €904.0 million less than the level three months earlier. This was partly due to the earlier than usual receipt of company taxes, which led to a decline in accounts receivable. At the same time, government drew down on existing deposits to finance expenditure incurred in the final quarter of the year. Consequently, the share of financial assets in GDP decreased to

25.2% from 29.6% in the previous quarter (see Chart 5.3).

Chart 5.3
GENERAL GOVERNMENT NET FINANCIAL WORTH
(% of GDP)[(1)]



Sources: EUROSTAT; NSO.
[(1)] GDP data are four-quarter moving sums.

The market value of financial liabilities decreased by €129.4 million, to stand at €13,105.2 million. Balances on other accounts payable fell, owing to the processing of company tax refunds. This offset a rise in the value of debt securities. Consequently, the share of financial liabilities in GDP declined by 1.4 percentage points, to stand at 58.3%.

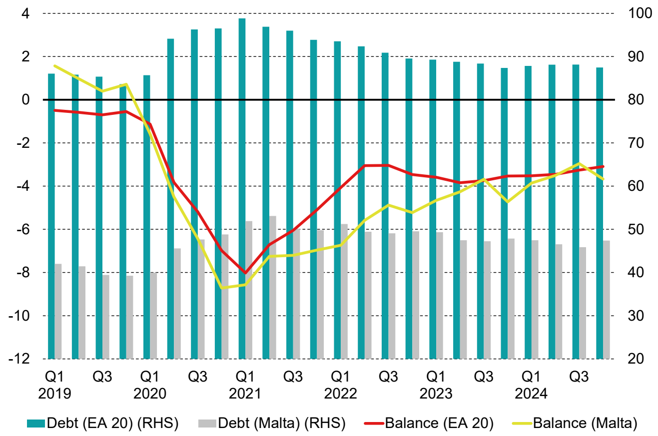
The resulting net financial worth of general government stood at -€7,441.2 million, a deterioration of €774.6 million compared with the previous quarter. The net financial worth of general government as a share of GDP worsened by 3.0 percentage points, standing at -33.1% by end-December.

The net worth position of the Maltese general government remained more favourable than the euro area average, which closed the year at -57.3% of GDP.

Debt ratio compares favourably with the euro area's while deficit ratio is higher

During the quarter under review, the euro area general government deficit stood at 3.1% of GDP on a four-quarter moving sum basis, down from a deficit of 3.3% of GDP at end-September (see Chart 5.4). Over the same period, the euro area debt ratio decreased to 87.5% of GDP from 88.1%. Over the year as a whole, the euro area general government deficit-to-GDP ratio declined by 0.4 percentage points, while the debt-to-GDP ratio increased by 0.1 percentage points.

Chart 5.4
GENERAL GOVERNMENT BALANCE AND DEBT
(four-quarter moving sums; % of GDP)



Sources: NSO; EUROSTAT.

The Maltese government deficit ratio widened compared to September and is now higher than the euro area average. This, despite having narrowed at a comparatively faster pace over the year as a whole. Meanwhile, Malta's debt-to-GDP ratio remained well below the euro area average.

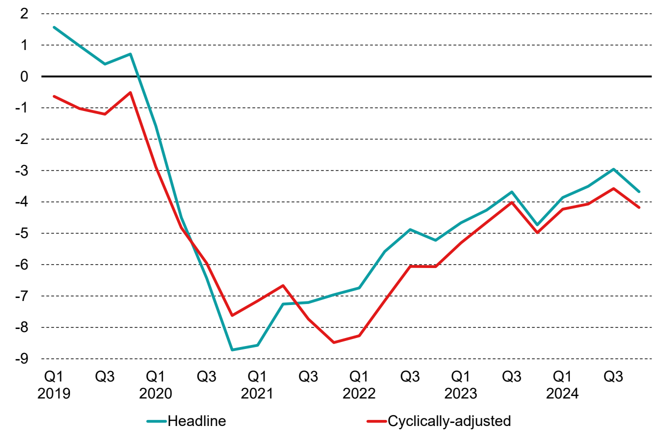
Cyclically-adjusted deficit widens[1]

On a four-quarter moving sum basis, the cyclically-adjusted deficit widened by 0.6 percentage points compared to September, to stand at 4.2% of GDP in the quarter under review (see Chart 5.5). This is in line with the widening in the headline deficit ratio over the same period.

Over the year as a whole, the cyclically-adjusted deficit ratio declined by 0.8 percentage points, from 5.0% in 2023.

When compared with September, the share of cyclically-adjusted revenue in GDP increased by 1.0 percentage point (see Table 5.2). This was due to the abovementioned increase in the share of current taxes on income and wealth.

Chart 5.5
GENERAL GOVERNMENT BALANCE
(four-quarter moving sums; % of GDP)



Sources: NSO; Central Bank of Malta estimates.

Table 5.2
QUARTER-ON-QUARTER CHANGES IN CYCLICALLY-ADJUSTED FISCAL COMPONENTS
Percentage points of GDP

	2023	2024			
	Q4	Q1	Q2	Q3	Q4
Revenue	**-0.3**	**0.4**	**0.3**	**1.0**	**1.0**
Current taxes on income and wealth	-0.5	0.4	0.0	0.9	1.4
Taxes on production and imports	0.0	0.1	0.2	0.0	-0.3
Social contributions	0.0	0.0	0.0	0.0	0.0
Other[(1)]	0.2	-0.1	0.2	0.1	-0.2
Expenditure	**0.7**	**-0.3**	**0.2**	**0.5**	**1.6**
Compensation of employees	-0.1	-0.1	0.0	0.1	0.4
Intermediate consumption	0.2	-0.1	0.1	0.2	0.2
Social benefits	-0.2	0.0	0.1	0.0	0.1
Interest payments	0.1	0.1	0.0	0.1	0.0
GFCF	0.2	0.0	-0.1	0.1	-0.3
Other[(2)]	0.6	-0.3	0.1	0.1	1.1
Primary balance	**-0.9**	**0.8**	**0.2**	**0.6**	**-0.6**
General government balance	**-1.0**	**0.7**	**0.2**	**0.5**	**-0.6**

Sources: NSO; Central Bank of Malta estimates.

[(1)] Includes market output, income derived from property and investments and current and capital transfers received.

[(2)] Mainly includes subsidies, current and capital transfers.

[1] The cyclically-adjusted balance is corrected for the impact of the economic cycle on government tax revenue and unemployment assistance. This methodology is in line with the approach used by the European Commission but is based on own estimates for fiscal items' elasticities and the output gap. For an overview of the method used by the Commission, see Mourre, G., Astarita C., and Princen, S. (2014), Adjusting the budget balance for the business cycle: the EU methodology, *European Economy – Economic Papers* 536, (DG ECFIN), European Commission.

This offset declines in the share of taxes on production and imports and in the share of the ‘other’ component of revenue.

Meanwhile, the share of cyclically-adjusted expenditure increased by 1.6 percentage points. This was mainly due to a rise in the share of the ‘other’ component of expenditure, owing to the aforementioned rise in capital transfers. This was also complemented by increases in the shares of compensation of employees, intermediate consumption and social benefits. These increases offset a decline in the ratio of government investment.

BOX 2: FISCAL DEVELOPMENTS IN MALTA DURING 2024[1]

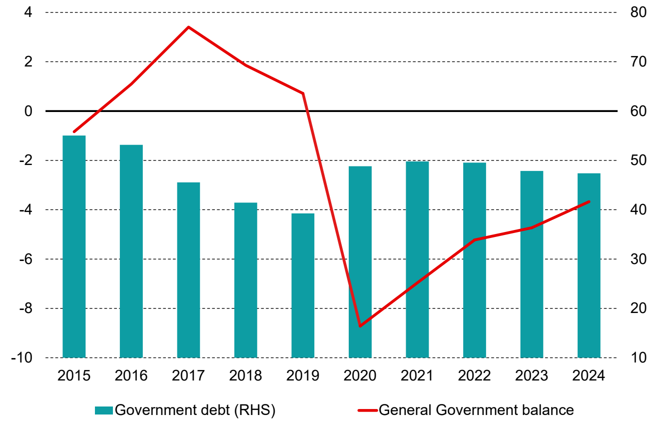
This Box analyses general government finances on an annual basis, complementing the quarterly assessment featured in the *Quarterly Review* publication which has a shorter perspective.

In 2024, Malta's fiscal position registered a notable improvement, with the general government deficit narrowing to 3.7% of GDP, down from 4.7% in 2023 (see Chart 1). This is the lowest deficit posted, both in level terms and as a share in GDP, since public finances deteriorated in 2020. The general government debt-to-GDP ratio also edged downwards, declining to 47.4% from 47.9% a year earlier. This is the lowest reading since 2016.

The lower deficit compared to 2023 was due to an 18.5% surge in revenue, which outweighed a 14.2% increase in expenditure.

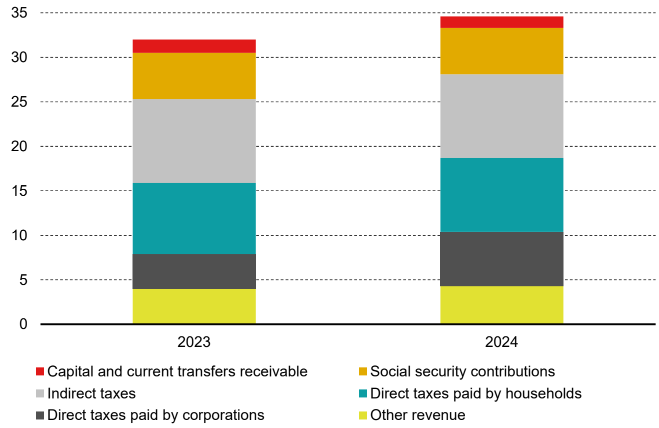
Total government revenue grew by €1,216.0 million in 2024, with its ratio to GDP rising to 34.6%, from 32.0% in the previous year. This is the highest revenue-to-GDP ratio since 2019. Chart 2 breaks down the main components of government revenue and expresses them as a share of GDP. It also shows an estimate of direct taxes paid by households, and direct taxes paid by companies.[2]

Chart 1
GENERAL GOVERNMENT DEFICIT AND DEBT RATIOS
(percentage of GDP)



Source: Central Bank of Malta.

Chart 2
DECOMPOSITION OF REVENUE COMPONENTS
(percentage point contributions; percentage of GDP)



Sources: NSO; author's estimate.

[1] Prepared by Jessica Pace, Senior Economist within the Economic Analysis Department of the Bank. The views expressed in this article represent those of the author and and do not necessarily reflect those of the Central Bank of Malta. Any errors are the author's own.

[2] The NSO publish data on the total level of direct taxes, which in the ESA methodology is known as current taxes on income and wealth. A split is not officially available until the NSO publish a separate release on tax revenue, at the end of the year. The figures shown in the chart represent the author's estimate, based on cash data and other accruals adjustments carried out by the NSO. For more information on the transition between cash data and accruals-based data, refer to Box 3.

Taxes paid by corporations are estimated to have increased markedly to 6.1% of GDP, from 3.9% of GDP in 2023. This surge principally reflected exceptionally high profits recorded by internationally-oriented firms registered in Malta, though improvements in tax administration and compliance also contributed. In contrast, taxes paid by households (the larger component between the two) rose at a more modest pace. These increased to 8.3% of GDP, from 8.0% in the previous year, on the back of continued growth in employment and in the average wage.

Indirect taxes remained stable at 9.4% of GDP, as inflows from VAT, excise duties, stamp duties and other licence fees grew broadly in line with economic activity. The share of social security contributions in GDP also remained constant at 5.2%. This reflects the positive developments in the labour market.

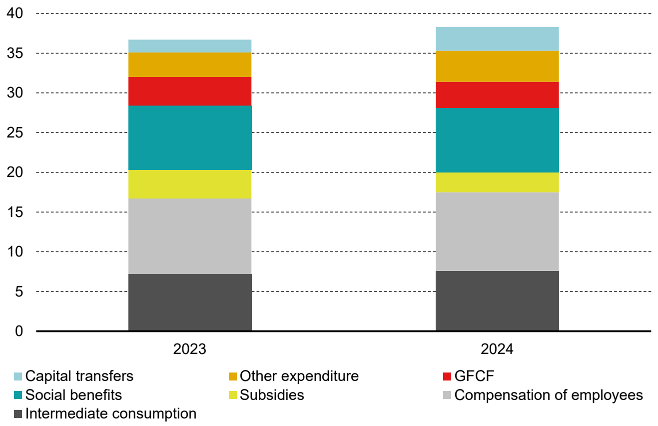
Capital and current transfers receivable declined in level terms, with their share in GDP falling to 1.3% from 1.5% in 2023, mostly due to lower capital revenue. However, the decline partly reflects a negative base effect stemming from the receipt of significant inflows under the 2014-2020 EU funding programme in 2023. Increased receipts from the Recovery and Resilience Facility (RRF) in 2024 only partially compensated for this decline. Meanwhile, 'other' revenue – mostly comprising property income and market output from public entities – increased to 4.1% from 3.8% of GDP. This growth was mainly attributable to higher income from sales generated by various services offered by Extra-Budgetary Units (EBUs).

Overall, therefore, the composition of government revenue in 2024 shifted towards more taxes on income, brought about by extraordinary growth in direct taxes paid by companies, partly reflecting greater efficiency in collection.

On the expenditure side, total outlays rose by €1,069.8 million, with their share of GDP increasing to 38.3%, up from 36.7% in 2023 (see Chart 3). This marks the highest expenditure-to-GDP ratio since 2020 and 2021, during which significant COVID-related support measures were introduced. In 2024, however, the surge in outlays mostly reflects an extraordinary increase in capital spending. Recurrent expenditure rose to 32.0% of GDP in 2024 from 31.5% of GDP a year earlier.

Intermediate consumption rose to 7.6% of GDP, from 7.2% in the previous year. This reflected higher costs across healthcare services, contract-based

Chart 3
DECOMPOSITION OF EXPENDITURE COMPONENTS
(percentage point contributions; percentage of GDP)



Sources: NSO; author's estimate.

services (particularly for the provision of elderly care), and other operational commitments. Compensation of employees rose to 9.9% of GDP, compared to 9.5% in 2023, primarily due to a new collective agreement for educators, which also included backdated payments.

Subsidies, on the other hand, declined markedly to 2.5% of GDP from 3.6%, partly due to lower spending on energy-related support measures in line with the profile of international commodity prices. Outlays also declined due to a reclassification of support measures to Air Malta plc. Meanwhile, the share of social benefits in GDP remained stable at 8.1%, as increases in benefits announced in the 2024 Budget kept pace with economic activity.

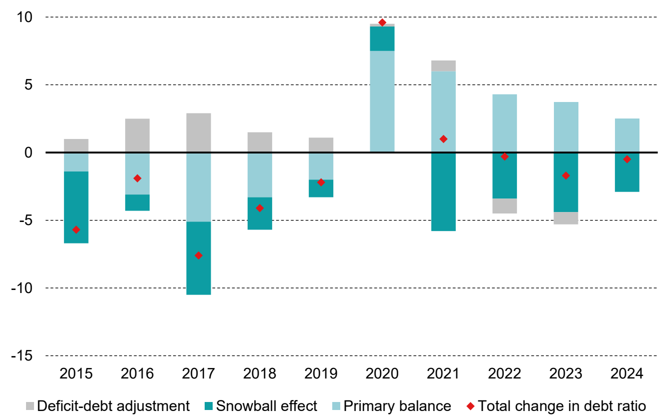
Outlays on GFCF rose slightly in level terms but declined to 3.3% of GDP from 3.6%. Internal estimates based on an assessment of cash data suggest that this profile mostly reflects the path of outlays on projects which were not co-financed by EU funds. Meanwhile, outlays related to EU-funded capital projects remained broadly unchanged from the previous year in level terms.

Capital transfers rose substantially to 3.0% of GDP, from 1.6% in 2023, largely due to one-off expenditures. These reflect support related to the winding down of Air Malta, and one-off injections following the set up of KM Malta Airlines. Excluding these exceptional airline-related outlays, overall government expenditure would have increased by 10.9% rather than by 14.2%. At the same time, outlays on other ongoing projects – mostly related to electricity distribution and investment in industrial parks – also rose significantly.

Other forms of expenditure increased to 3.9% of GDP from 3.1%, partly due to higher interest costs and increased EU budgetary contributions. The increase in spending also reflects higher transfers to pay for teachers' wages in Church schools, following the new collective agreement with educators.

The general government debt ratio declined by 0.5 percentage points in 2024 (see Chart 4). This is the third consecutive year which featured a narrowing deficit ratio. While the primary deficit exerted upward pressure on the ratio, contributing 2.5 percentage points, this was outweighed by a favourable interest-growth differential, which reduced the ratio by 2.9 percentage points. The size of these contributors declined compared to recent years, due to a declining deficit, a moderation in nominal GDP

Chart 4
CONTRIBUTION TO CHANGE IN DEBT RATIO
(percentage point change)



Source: Central Bank of Malta.

growth and higher effective interest rates on debt. For the first time since 2008, deficit-debt adjustments had a neutral effect on the change in the debt ratio.

The fiscal outcome for 2024 was more favourable than projected in the Ministry for Finance's *Draft Budgetary Plan 2025*, which had anticipated a general government deficit of 4.0% of GDP and a debt ratio of 49.5%. The stronger-than-expected revenue performance, particularly from corporate taxation and other non-tax sources, was the main driver of this positive deviation. At the same time, total expenditure also exceeded projections, mostly due to the above-mentioned one-off capital transfers.

When placed in a European context, Malta's deficit in 2024 remained higher than the euro area average of 3.1% of GDP, despite having narrowed at a comparatively faster pace. However, its debt ratio continued to be substantially lower, as the euro area's debt stood at 87.4% of GDP, nearly double that of Malta.

BOX 3: THE TRANSITION BETWEEN THE CONSOLIDATED FUND AND THE GENERAL GOVERNMENT BALANCE[1]

The general government balance assessed in this publication differs from the balance of the Consolidated Fund, which is the main account out of which Government finances its operations. This is due to methodological issues: according to the European System of Accounts (ESA) guidelines, the term 'general government' includes all sub-sectors of government, which in Malta's case also includes local government. Furthermore, its accounts are accruals-based, rather than cash-based.

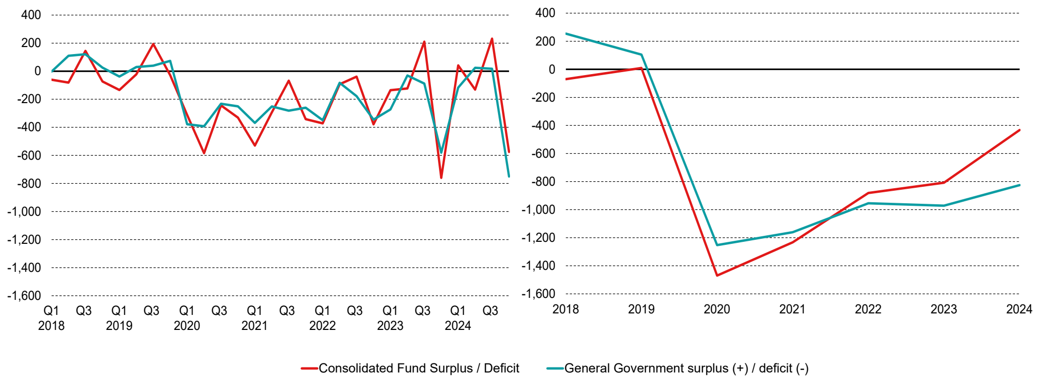
To arrive at the general government balance, the NSO makes a series of adjustments to the Consolidated Fund balance. This box assesses the transition between the two sets of accounts in recent years.

Overview

Between 2018 and 2024 there were significant divergences between the Consolidated Fund and the general government balances (see Chart 1). In this period, the average absolute level of adjustments made by the NSO in each quarter stood at just over €115.0 million. When looking at full year data, the absolute level of adjustments stood at around €191.0 million. Between 2018 and 2021 this transition led to an amelioration in the balance. For instance, in 2018 the general government balance stood in surplus while the Consolidated Fund was in deficit.

More recently, the transition led to a less favourable general government balance. For instance, in 2024 the general government deficit stood at €825.3 million, while the Consolidated Fund deficit amounted to €432.7 million.

Chart 1
CONSOLIDATED FUND BALANCE VS GENERAL GOVERNMENT BALANCE
(EUR millions)



Source: NSO.

[1] Prepared by Laura Bigeni, Senior Economist within the Economic Analysis Department of the Bank. The views expressed in this article represent those of the author and do not necessarily reflect those of the Central Bank of Malta. Any errors are the author's own.

The level of adjustments carried out in 2023 and 2024 was larger than average. The largest adjustments were recorded in 2023Q3 and 2024Q3 and amounted to -€299.0 million and -€214.7 million, respectively.

Breakdown of adjustments

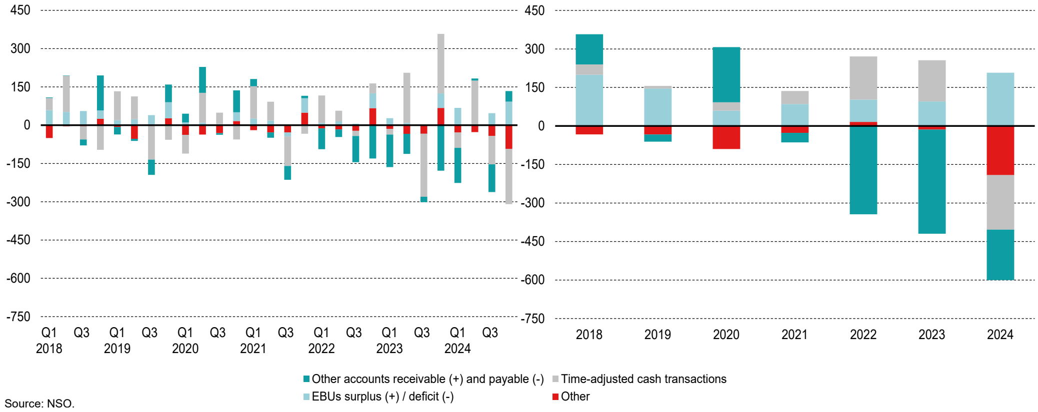
The NSO carry out various adjustments to transition from one set of accounts to the other. The largest types of adjustments will be assessed in detail. These reflect accounts receivables and payables, time-adjusted cash transactions and the balance of EBUs (see Chart 2).

Consolidated Fund operations are adjusted for accounts receivables and payables, to account for accruals. The main form of accruals reflect receipts and payments made by the Treasury Department, Ex-Church Property Agreement adjustments, the timing of receipt of EU Funds, emission trading permit auctions, interest receivable and tax repayments from the COVID-19 tax deferral scheme.

These adjustments tend to vary in magnitude and are typically larger for two quarters in each year. The largest adjustments were carried out in 2022 and 2023 amounting to -€343.9 million and -€405.6 million, respectively. These large negative adjustments reflected a buildup in account payables. In 2024 the adjustment was substantially smaller, at -€196.5 million, due to a decline in the stock of accounts payables.

Time-adjusted cash transactions are carried out to income tax, social contributions and VAT revenue, so that inflows in the general government accounts are recorded in the period in which the corresponding economic activity took place. It represents another form of accruals adjustment.[2]

Chart 2
ADJUSTMENTS TO THE CONSOLIDATED FUND BALANCE
(EUR millions)



Source: NSO.

[2] See Regulation (EC) No 2516/2000 of the European Parliament and of the Council of 7 November 2000 modifying the common principles of the European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and amending Council Regulation (EC) No 2223/96.

Some of the largest adjustments reflect the timing of receipt of income taxes paid by International Tax Units (ITUs).[3] These inflows vary significantly in amounts and timing. The adjustments covering the inflows by ITUs contributed to large and positive time adjustments in 2022 and 2023, and a large negative adjustment in 2024. The level of time adjustments in these years amounted to €167.9 million, €160.7 million and -€212.1 million, respectively.

Another significant adjustment is the inclusion of net lending or borrowing of the EBUs forming part of the Central Government Sector. The financial position of these EBUs is accounted for separately from the Consolidated Fund. These adjustments are typically positive in value, mainly due to the inflows recorded in the National Development and Social Fund. In quarterly terms, the largest adjustment tends to take place in the final quarter of the year. Overall, EBU balances during 2024 were the most positive since 2018 and amounted to €207.4 million.

The transition between the Consolidated Fund and the general government balances includes other adjustments. These include adjustments for financial transactions and equity injections, the treatment of tax credits and re-routing of EFSF and Public Private Partnership (PPP) operations, as well as the inclusion of local government.[4]

Overall, these adjustments tend to be negative and are small in magnitude. However, there were significant adjustments in 2020 and in 2024.[5] In 2020 these stood at -€89.6 million and mostly reflect higher than usual adjustments for tax credits and for differences in the recording of interest paid and accrued. Adjustments in 2024 stood at -€191.5 million and largely reflect equity acquisitions related to the setup of KM Malta Airlines.

[3] The term 'international tax units' refers to companies which are foreign owned and registered in Malta. Non-resident shareholders can claim back a large portion of taxes paid on the distributed profits by the company. Until tax refunds are requested and paid, tax balances are recorded in departmental accounts, held at the Central Bank of Malta. Once the refund is paid, the net income tax level is transferred to the Consolidated Fund and shown as revenue. For further information, refer to Malta's Excessive Deficit Procedure Inventory.

[4] The European Financial Stability Facility (EFSF) was created as a temporary crisis resolution mechanism by euro area countries in June 2010. It has provided financial assistance to Ireland, Portugal and Greece. According to the ESA methodology, EFSF operations have to be rerouted onto individual governments' accounts. PPPs are used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific "dedicated assets". The non-government unit builds a specifically designed asset to supply the service.

[5] Since 2018, the adjustments in respect of local government were small and, in most years, positive.