CUSTOMS TARIFF IN MALTA SINCE 1530*

By JOHN MEA

At the time of the Grand Masters whose reign came to a close in Malta in 1798, no complicated Customs Tariff existed, not only because articles for general use were not known then to any great extent, but also because what goods there were in those times, other than wine, which paid a specific duty of 10 *scudi* the butt, were roundly subjected to a $3\frac{1}{3}$ per cent 'ad valorem' duty, whether imported or exported by Maltese or Sicilians, and to $6\frac{1}{3}$ per cent if imported or exported by other nationalities.

With regard to the transit trade, a charge of 1 per cent was made if there was no delay, whereas both percentages for import and export were exacted if transhipments were postponed to a future date. This worked out the duty at $6\frac{2}{3}$ per cent and $12\frac{2}{3}$ per cent according to the nationality of the transactor, and $9\frac{2}{3}$ per cent if business was carried out between an alien and a party enjoying preference. It made up in part for what is now termed 'Store Rent', as no bonding system was then in force.

It is worth noting how preference was allowed at the instances where it occurred; in this case it was granted in virtue of one's preferred nationality. The main item of importation, namely wheat, was under the care of a municipal body called 'Università', and more specifically the 'Università' of Valletta, which took over these powers from the 'Università' of Mdina on the establishment of the Order in Malta. The 'Università' undertook, but not exclusively, the importation of other commodities as well, including oil, cattle and tobacco, and it had control over the markets by looking into the correctness of prices charged, which it fixed, of weights and measures given, and of the quality of the goods for sale. In this latter respect, and so far as the importation of wheat goes, it acted in much the same way as the Food and Commerce Control Office (F.C.C.O.) acts today.

The 'Università' which was a monopoly, was run on a loan system from the inhabitants at 6 per cent interest, and as wheat was exempt from direct duty, the interest paid to shareholders was, however, an indirect tax, regulating the price of bread upon which an excise duty by way of a stamp was also imposed. Independently of the cost of wheat to the 'Università', this was sold at a set price to the millers, and the cost of bread did not alter in consequence. Loss or gain to the 'Università' followed in the wake of the phenomenon of the trade cycle, and the industry of the population was not to be adversely affected either by a slump or a boom in the market. Both were considered bad, as the one brought distress and poverty, thus checking industry, and the other brought idleness, another check to industry. A stabilised cost of living index was, therefore, rightly considered to increase industry, as one could assess one's earnings and expenses, which is not otherwise possible when prices rise or drop at short intervals of time. This viewpoint is also taken by trusts and cartels, and it will be readily agreed that it responds to common sense.

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Thus the price of wheat did not vary for years; for instance it kept to 24 *scudi* per salm for 12 years from 1781 to 1793, but for the following years till 1798, it rose to 29½ *scudi* per salm because a call for capital at 3 per cent interest was made in the 'Massa Frumentaria' (Corn Fund), unfortunately also, in excess of the stock in hand.

It has been observed that stabilized prices increase industry, and contrariwise fluctuating prices are harmful to it. During the Grand Masters' occupation of Malta, when piracy was rife and sea-communications uncertain, this could only be attained if supplies were made the concern of the State, so that the grain monopoly, under the 'Università', which assured supplies and secured fixed prices for years, was a product of unstable times. It was, perhaps, a necessary evil, for an evil it economically was, as it added a considerable surplus value to the wheat by way of a vast establishment in and outside Malta to make the necessary purchases of wheat and to distribute it locally.

As the British succeeded in 1800, they had to go through the same experiences in this regard, and years later to find out for themselves that under more favourable conditions, greater prosperity, indisputable sea-communications etc., the inherited system, which was a by-product of insecurity, did not pay and was to go. They, therefore, had themselves at first re-instituted the 'Università' out of their own Exchequer, as the Maltese would not answer Government's call for investments in the concern. Theirs was a case of "once bitten twice shy", since the French during their two years of occupation (1798-1800) had depleted the 'Massa Frumentaria'.

Up to 1814 the Government had already sustained a loss of £60,000. In 1818 the 'Università' ceased to function, and its duties devolved upon Commissioners of a Board of Supply. This change did not improve matters, and in 1822 the trade of grain was thrown open, the Board of Supply was suppressed, and the Grain Department, independent of the Collector of Sea Customs, was set up under a Superintendent. The Government was simply, (a) to reserve a stock of wheat to guard against scarcity and high prices; (b) to exact a duty of four *scudi* per salm for wheat carried by British or Greek vessels, and five *scudi* for wheat imported in alien ships, preference being allowed according to the nationality of the carrier, which is a second variation to the one obtaining during the time of the Grand Masters. This duty was meant to make good any losses for keeping such a stock and for the general purposes of the Government. It is very interesting to note that the duty of four *scudi* made up for the difference between the purchase and sales values of 20 and 24 *scudi* per salm respectively when wheat was supplied by the 'Università' prior to 1793.

For the purposes of reserving a stock of wheat to guard against scarcity and high prices, and to exact a duty of four *scudi* per salm for wheat carried by British and Greek vessels, the Grain Department was divided into two Branches, the Government Grain Concern, which was responsible for the purchases through agents abroad and for the sales locally, and the Revenue Branch, which collected the consumption duties and Store Rent. This course by Government to keep a reserve stock was eventually abandoned in 1837, and no further purchases on its account were made. The Grain Department was closed down (1), and the consumption duties, no longer at 4 or 5 *scudi* the salm, but levied by a sliding scale since June 1824 with some alterations from December 1832, were paid to the Collector of Customs for the all-round needs of the Government. From this time also, the sliding scale of collecting duty, which varied inversely with the price, was discontinued on the plausible recommendations of the Austin Commission, in favour of a fixed duty of 10s. per salm, irrespective of whether the vessel was British, Greek or foreign. This rate was slightly higher than the old preferential one, but it was purposely made in order to make up for the loss of the additional duty on wheat imported under a flag other than British or Greek.

For almost 100 years, from 1837 to 1935, the duty on wheat remained at 10s. per salm, converted to 3s. 5d. per hectolitre in Ordnance No. 111 of 1917 as amended, and to 4s. 6d. per 100 kilos from 1922 to 1935, when duty was reduced to 3s. 9d. up to 1939. By Ordinance No. 11 of 1939 effect was given to the recommendations in the Wine Committee's Report, 1937, by Ramage, when preference on wheat was introduced, the duty being made to read 9d. Preferential and 1s. 9d. General.

Alongside the changes in the duties on wheat, which has been treated separately because of its outstanding importance, the other notable alterations that took place are of interest in their development.

On assuming the rule of these Islands the English did away with the 'ad valorem' duties and by a Tariff established in 1801 imposts were per package, in the manner as freight by measure is paid for nowadays. Although this step must have been congenial to the local merchants in a way, as it was less onerous than the 3½ per cent duty formerly exacted by the Order, evidently it was unscientific as the same article paid different duties in proportion to the size of the package it was in. Complaints were, therefore, justly lodged, and the Government was repeatedly urged to modify the Tariff. The response to these grievances was tentatively met by the provision made in Proclamation No. IX of March 9, 1814 in connexion with the "Tariff of the Importation Duties in the Free Port of Malta, the half of which is to be exacted on Goods for Exportation" dated March 8, 1814. In this Tariff in which some 240 articles are listed, certain rates are by weight (per cantaro), others by measures (per salm), but the duty per package is also maintained — brandy, oil and vinegar, for instance, paid duty per pipe. In the words of the Proclamation, "it was judged expedient to settle a fixed Duty per package, on all commodities, in so far as this mode might be applicable, restricting the Duty 'ad valorem' to such cases only where that might not be applicable". (2).

"It is obvious", goes on the text, "that to fix such a duty correctly, when taken upon packages, is impossible; and of course there may be particular instances which, being of considerable hardship, will demand attention.

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(1) This step was originally recommended in 1830 in the First Report of the Commissioners for inquiring into the Receipt and Expenditure of the Revenue in the Colonies and Foreign Possessions (Malta, Gibraltar and Australian Colonies); and ultimately by the Austin Commission of 1837.

(2) Also, unenumerated goods, wares and merchandise of every description paid 1 per cent with reference to the wholesale market price in Malta.

When such may occur, the duty is in the first instance to be paid to the Customs House, and upon a petition being transmitted direct to Government, the subject thereof will be taken into due consideration". This tactful concession must have proved a headache to all concerned, and the safeguarding of the Revenue was no doubt in the eyes of all by no means fool-proof. A more simplified Tariff consisting of some 50 heads was therefore put in force in January, 1819, with a view also, in the words of Proclamation No. 11 of January 7, 1819, introducing the new Tariff, "to consolidate the only Duty on merchandise...... to wit, that of one per cent 'ad valorem' on British manufactures, "being in amount infinitely inferior to what is paid under any free port in the Mediterranean"; "......all other commodities", concludes the Proclamation, "do pay Duty according to the said Tariff".

Thus, through these two Proclamations, viz: No. IX of March 9, 1814, and No. 11 of January 7, 1819, were wisely piloted the recommendations in the "Report of H.M. Commissioners for Enquiring in the Affairs of Malta, 1812" which proposed the 1 per cent 'ad valorem' duty, being ¼ per cent above the proportion of ¾ per cent contributed by the whole importation under the system of collecting duty per package. To countervail this measure, which ushered the principle of taxation 'ad valorem', carried through the years, as the Commissioners said in 1812, "to an indefinite length", all export duty, viz: that of ½ per cent appearing in the Tariff of March 1814, was withdrawn by the Proclamation of January 7, 1819. Goods of foreign manufacture were to bear a duty of 2 per cent; but tea other than that of the Company and Foreign Gin paid as much as 5 per cent. As to the Specific or Fixed rates, the duty was equal to all countries of origin.

The Duties of Excise on Wines and Spirits which were levied by a separate Department under the Collector of Excise, were mainly classed in the Tariff of 1814 into: two rates on wines, common and luxury, including Madeira, Port, Sherry, Claret, and generally all French and Spanish wines; a very interesting one on such wines as may have become sour or vinegars; and one on Spirits. Duty was assessed per barrel. This table was slightly amended by Proclamation No. VIII of April 19, 1820, whereby an 'ad valorem' duty on wines not enumerated, but exceeding 10 *scudi* per barrel, was fixed at 1 *scudo* per barrel. This again was introductory to a scale of wines in the Proclamation of July 20, 1822, all paying 'ad valorem' duty according to their value.

In 1825 the Tariff of 1819 was converted from the Maltese currency in *scudi*, *tari*, and grains to their equivalents in English money; otherwise no changes were effected till some years later.

The Tariff of December 12, 1832, whilst showing an addition of dutable heads, numbering about 78, has a separate column for "Additional Import Duty, when Imported by Foreign Vessels", whereas that of May 20, 1835, reduced the heads to 25 only, maintaining, however, the same preferences to merchandise imported in Maltese or British vessels, and to British manufactured goods which paid 1 per cent as against 2 per cent on foreign manufactures.

In 1837 the Commissioners, John Austin Esq. and Sir George Cornwall Lewis made a *tabula rasa* of the Tariff then in force, substituting therefor another of only 10 heads, inclusive of Spirits, Wines and Vinegars, upon which Excise duty was formerly paid to the Collector of Excise, and of Grain on which duty was payable to the Superintendent of the Grain Department. All duties were now consolidated into one Tariff required to be levied by the Collector of Customs. It has already been noted in regard to the duty on wheat that this Commission removed the preferential duty; it was likewise with all the other items, preference being abolished.

The peculiarity of the Tariff of 1837 rests on the principle that it limited its range to "articles of general consumption only", in fact duty was only imposed on beer, cattle, charcoal, grain, oil, potatoes, pulse and seeds, spirits, vinegar, and wines. With the exception of the different species of grain some paid twice and others three times their former rate; 'ad valorem' duties were struck off. Except for the minor additions to the duties on spirits and liquids containing over 25 per cent of proof spirit, effected by Ordinance No. VIII of 1869, and Government Notice No. 13 of January 31, 1876, and on wines and beer by Ordinance No. VIII of 1871, as well as the abolition of the duty on charcoal as from 1842, this Tariff remained operative up to the close of the century.

It must, however, be recorded that in 1877, Mr. Rowsell, on instructions from Her Majesty's Government, drew up a Report on Taxation and Expenditure of Malta. His terms of reference were an enquiry into the incidence of "the import duties upon grain" and the "possibility of replacing them by others" with permission to extend the scope of the inquiry, "into the operation of taxes other than those on grain". In the course of his investigation Mr. Rowsell indicated that the incidence of taxation on the Maltese working or under class was 15s. 7d. per head as against 10s. 10d. paid by the Maltese upper and middle classes. The British population on the Island paid as much as 34s. 8½d. per head. The only way to reduce this gap between the Maltese was to lower the consumption duties on grain, as the incidence thereof fell disproportionately on rich and poor, being respectively in the ratio of 5s. and 10s. per head. For this reason he recommended 2s. 6d. per salm and prospectively 1s., in order to bring the incidence of taxation to 13s. 9d. per head per annum on the well-to-do classes and 8s. 11½d. per head on the manual working classes. The difference in the amount collected was to be made good by the stamp duty, increased education fees, increased store rents, increased licence duty, House Tax etc. etc. This amounted almost to a reversal of the fiscal policy of the nation from indirect to direct taxation. To quote from the Report of the Committee, with the Noble G. Strickland as Chairman appointed to revice the Customs Tariff in 1891, "the last attempt to alter the system in Malta ended in failure".

The object of the Strickland Report was to commence certain works and raise the salaries of Civil Servants and Teachers, and the Tariff as recommended was to stay for three years. Outstanding among the additions to the specific rates of duty was that on tobacco, whilst the re-inception of some 'ad valorem' duties also appears. Whereas the former eventually took shape with alterations, the latter were adopted on numerous items many years later in the 1920s at 5 per cent. This followed as a consequence of the War of 1914-18 which brought in its train the end of Free Trade overwhelmingly adopted so far in Great Britain and considerably in Malta, as duty was confined to certain articles of consumption only; all manufactured goods having been admitted free.

The World War which strengthened sentiments of partnership between Great Britain and her Colonies ended the open-door policy and set Imperial Preference in motion. It was adopted by Cyprus and Malta in 1920, Fiji 1921, Mauritius 1924, Gibraitar 1926, Sierra Leone and Gambia 1932. On its first introduction in Malta it fell through, and it was not until 1934, two years after the Imperial Economic Conference at Ottawa, that preference was firmly adopted and the single-line tariff for most articles definitely abandoned. It is characteristic of the margin of preference that this was not obtained by a rebate of, but by a rise in the existing duties, as the revenue could not allow any diminution of income to be made. The preference, where fixed, was generally $\frac{1}{3}$ of the full rate for specific duties, and varying between $\frac{1}{3}$ (20-30 per cent), 2/5 (15-25 per cent), 4/7 (15-35 per cent), $\frac{1}{2}$ (10-20 per cent), for 'ad valorem' duties, the widest margin of 4/7, 15-35 per cent, being for motor vehicles, parts and accessories thereof.

Since Ottawa no changes of principle took place save that in 1938 Ordinance XXXIV gave effect to the Anglo-American Trade Agrement, and a relaxation of 5 per cent was made in the General Tariff on certain goods, amongst which were fruits preserved, motor vehicles, and wireless sets. Periodically a revision has had to be made along the Tariff, that brought into operation by Act XXXVII of 1948, increasing the duties on wines, spirits, shoes, jewellery, chocolate, confectionery, ornamental glassware, motor vehicles, being "the first carried out for several years. It brought the import duties on a more appropriate level with the higher prices of goods resulting from the reduced value of money". (3)

In 1949 a Bill was passed to modify the rates of duty with the object of adjusting the incidence of such duties as are derived from "more or less necessary or more or less luxurious goods...... and of giving better protection to local industries" (4). The margin of preference now stands mostly at 14 per cent for 'ad valorem' duties, though it varies for many articles, whereas specific duties are generally on a level in both columns (with the exceptions of shoes (5), which receive a preference of 1s. 9d. and 6d. according to size, spirits with 1s. preference per litre, wine with a preference of 5s. per hectolitre if containing between 13.2 per cent and 15.2 per cent of alcohol, and wheat which is granted 1s. preference per 100 kilos.

(3) Cfr. Report on the working of the Customs and Port Department for the Year 1948-49.

(4) Cfr. Malta Government Gazette, Supplement XXXI, April 19, 1949.

(5) The 'ad valorem' preference on shoes is 10 per cent (15-25 per cent). The higher rate is paid.

A survey of Tariff Reform will bring home to the reader the importance of its study in the economic history of a nation, and as a greater yield seems to be demanded with each successive year, and the Tariff for lack of better sources of income is the first scapegoat at hand, real ingenuity has to be employed to achieve this end, particularly by drawing the useful lessons from the past and making the desired generalizations of their success and failure.

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THE MALTA DIRECTORY AND TRADE INDEX 1957

The second issue of this important reference tool contains a veritable mine of information on Maltese trade and industry. Apart from its Trade Index, which includes in its 206 pages an Alphabetcal List of Firms, a Classified List of Firms, a Complete List of Cable Addresses, and local Trade Marks and Brands, it has a Year Book Section followed by a short bibliography and a useful annotated list of new books on Malta issued since the appearance of the first number in 1956.

Of particular interest to readers of *Melita Historica* are the background articles contained in Section I, which also includes a useful outline of Malta's industries. The standard of the background articles varies from one contributor to another, but by and large the studies are reliable and provide useful material for the study of recent and contemporary Maltese History.

The following articles appear in the 1957 issue: *The Maltese National Colours*, by J.G. Cutajar Beck; *Constitutional Development* 1800-1957, by Patrick G. Staines; *The Economy of Malta*, by Dudley Seers; *Financial Statement for the Year* 1957-58, by the Hon. Mr. D. Mintoff; *The Practice of Medicine*, by Prof. P.P. Debono; *Education in Malta*, by Margaret Mortimer; *Reform in Commercial Law*, by Charles J. Sammut; *History of Banking in Malta*, by S.M. De Maria, besides information on *Labour Legislation*, *New Automatc Telephone Exchange*, *The Department of Trade and Industry*, etc.

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