

ANALYSING THE IMPACT OF  
**THE FILM REBATE SCHEME**  
IN MALTA

February 2025

This short note summarises the results of a study aimed at estimating the sectoral and macroeconomic impacts of the film rebate scheme in Malta since its inception. The study focuses primarily on the direct, indirect and induced effects generated by the demand of film productions in Malta since 2020.

More importantly, the study tries to estimate the net effect on Government finances of the cash rebate rates given to film producers when incurring expenditure in Malta, and also on the impact on the gross domestic product (GDP) both in nominal terms and in 2024 prices. The study is conducted using an Input-Output based model based on the latest symmetric Input-Output tables published by the National Statistics Office (NSO). Model simulations were produced using granular data provided by the Malta Film Commission (MFC) and National Accounts aggregated data published by NSO.

**Chart 1**  
**GDP IMPACT OF FILM PRODUCTION EXPENDITURE**

GDP Euro millions in 2024 prices

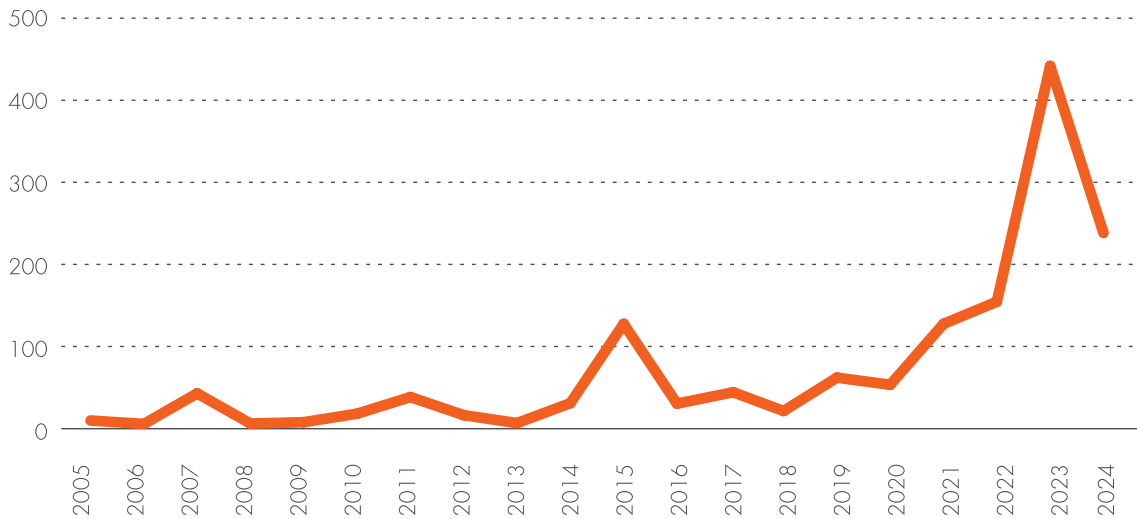
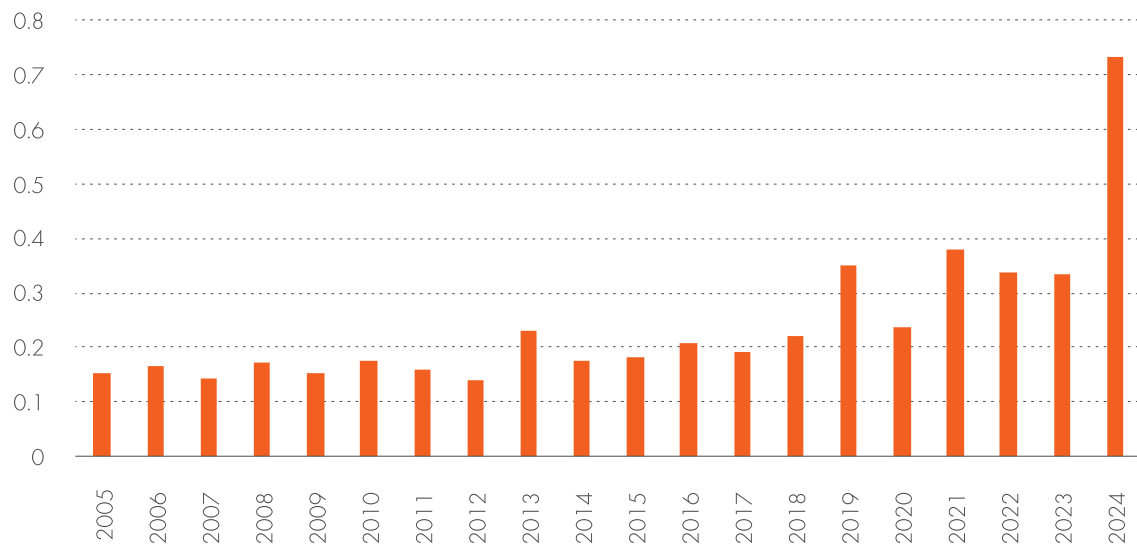


Chart 1 shows the impact on Malta’s GDP of film production expenditure attracted through the film rebate scheme.

**Chart 2**  
**REBATE RATES**

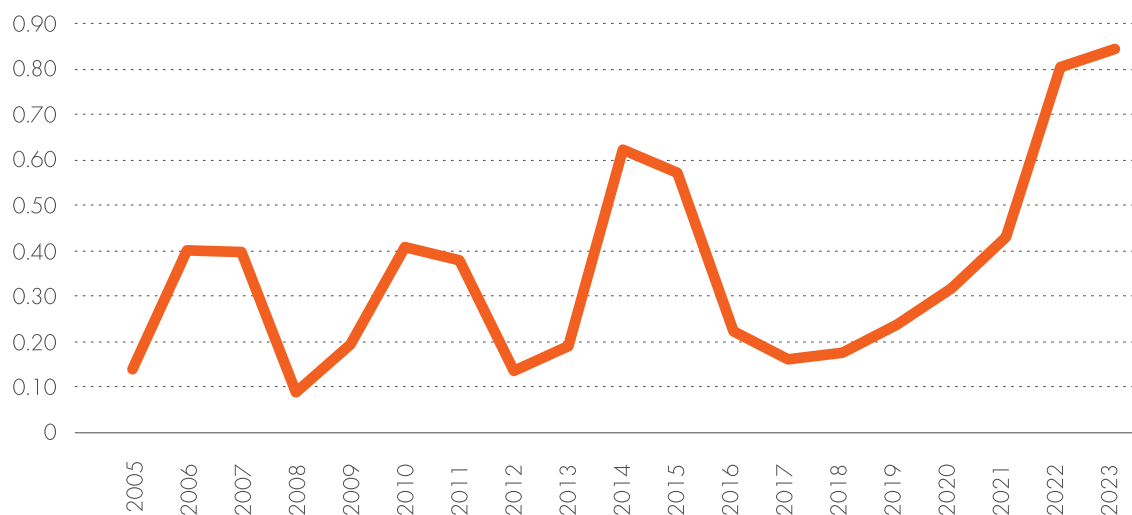
Share of total Expenditure



### Chart 3

## SHARE OF FILM PRODUCTION EXPENDITURE IN GDP

Percent, 2-year moving average



Data shows that cash rebate rates to film producers have always hovered between 10-20% since 2005 onwards. From 2019 onwards the rebate rate has increased significantly and has hovered between 30-40%. At the same time, the share of movie expenditure incurred in Malta estimated as a percent of GDP has climbed considerably and has shown a rather pronounced trend since 2020. Between 2005 and 2016, the share of film expenditure in Malta's GDP exhibited considerable fluctuations, with recurrent peaks and troughs. From 2020 onwards, film expenditure as % of GDP started to climb up significantly and to exhibit a more stable and sustained dynamic. This recent episode in fact, coincides with the increase in rebate rate discussed above.

In order to estimate the economic effects of the film industry on Malta in a more scientifically rigorous way, we use film expenditure data provided by MFC to simulate an Input-Output based model of the Maltese economy. The model is based on the latest Symmetric Input-Output tables produced by NSO and seeks to capture the direct, indirect and induced effects of the demand for film productions. In an economy, when a given sector receives an increase in the demand for its products or services, the effects of such an increase in demand are not limited to the increase in the production occurring within the sector under study. In fact, each sector is interlinked with the rest of the economy in a number of ways. In particular, the increase in the demand for film productions will give rise to an increase in the output of other sectors and industries that supply services or products to the film industry to fulfil the increase in demand. More technically, a holistic approach at estimating the impacts of the increase in film productions in Malta requires us to capture not only the direct effects of the increased demand, but also the indirect and induced effects.

The direct effects refer to the immediate impact on the sector where the increase in demand occurs. The indirect effects measure how this increased demand affects other industries that supply goods and services to the primary sector. For example, increased manufacturing output may boost demand for raw materials, transportation, and other supporting industries. Induced effects go further, by including effects which arise from changes in household income due to the direct and indirect effects. When employees in the affected industries spend their increased earnings on goods and services, this spending stimulates additional economic activity, creating a ripple effect throughout the economy.

The analysis of this study is undertaken at the maximum level of disaggregation possible, that is at NACE 40. Film production expenditure incurred in Malta is disaggregated into NACE categories using detailed information provided by MFC. Expenditure by NACE category is then fed to the model as changes in final demand. The model allows to map direct, indirect and induced effects of this increase in film production expenditure by year and by sector. For ease of interpretation, results are then aggregated to NACE 18 level of disaggregation and tabulated in Table 1 below.

**Table 1**  
**TOTAL EFFECTS OF FILM PRODUCTION EXPENDITURE**  
 Percent deviation from no Expenditure Baseline

|   | 2020       | 2021       | 2022       | 2023       | 2024       |
|---|------------|------------|------------|------------|------------|
| Agriculture, forestry and fishing                 | 0.4        | 0.8        | 1.0        | 2.6        | 1.3        |
| Mining, quarrying and construction                | 0.2        | 0.4        | 0.4        | 1.2        | 0.6        |
| Manufacturing                                     | 0.2        | 0.4        | 0.5        | 1.3        | 0.6        |
| Electricity, water, air conditioning ...          | 0.4        | 0.9        | 1.1        | 2.9        | 1.4        |
| Wholesale and retail trade ...                    | 0.6        | 1.3        | 1.5        | 4.0        | 2.0        |
| Transportation and storage                        | 0.6        | 1.3        | 1.4        | 3.9        | 1.9        |
| Accommodation, food services activities ...       | 0.9        | 1.9        | 2.1        | 5.8        | 2.8        |
| Information and communication                     | 0.2        | 0.4        | 0.4        | 1.1        | 0.5        |
| Financial and insurance activities                | 0.1        | 0.2        | 0.2        | 0.6        | 0.3        |
| Real estate activities                            | 0.5        | 1.1        | 1.2        | 3.3        | 1.6        |
| Professional, scientific and technical activities | 0.2        | 0.4        | 0.4        | 1.2        | 0.6        |
| Administrative and support services activities    | 0.2        | 0.5        | 0.6        | 1.5        | 0.7        |
| Public administration and defense; ...            | 0.0        | 0.1        | 0.1        | 0.2        | 0.1        |
| Education   | 0.2        | 0.4        | 0.4        | 1.1        | 0.6        |
| Human health and social work activities           | 0.1        | 0.3        | 0.4        | 1.0        | 0.5        |
| Arts, entertainment and recreation                | 0.4        | 0.9        | 1.0        | 2.8        | 1.4        |
| Other service activities                          | 0.5        | 1.1        | 1.2        | 3.3        | 1.6        |
| Households as employers ...                       | 0.6        | 1.2        | 1.4        | 3.8        | 1.9        |
| <b>Total Contribution to Maltese GVA</b>          | <b>0.3</b> | <b>0.7</b> | <b>0.8</b> | <b>2.2</b> | <b>1.1</b> |

**Mirroring the previous analysis, model results indicate that the total contribution (direct, indirect and induced effects) of film expenditure in Malta in total Gross Value Added (GVA) has climbed significantly in recent years, increasing from 0.3% in 2020 to a peak of 2.2% in 2023.**

This increase in the role played by film production in total GVA, coincides with the rise in rebate rates. Table 1 also shows the sectoral impacts that film production has had in Malta. Results indicate that film productions not only affect the sector directly capturing film-producing activities but has strong diverse effects across the economy in general. In fact, results indicate that Accommodation and Food Services Activities, Wholesale and retail trade and Transportation and Storage are the three most affected sectors. Model results indicate for instance that in 2023, around 6% of all GVA created in the Accommodation and Food Services Activities sector was in some way connected to the increased demand generated by the film producing industry. These estimates take in consideration not only the direct effects of this expenditure, but also the indirect effects (driven by industry supply chains) and induced effects (that capture the increase in consumption expenditure that is driven by the increase in disposable income of Maltese residents).

Charts 4 and 5 show the total effects of film expenditure on the economy-wide GVA and employment. Results show that on average, the total effects of film expenditure in Malta are almost twice those captured by the direct effects with the sum of indirect and induced effects equal those estimated directly. This result stems from the fact that film production is an industry or an activity that is extremely connected with the rest of the economy, implying that an increase in film production demand leads to a considerable increase in the demand of other ancillary activities.

**At their peak, that is in 2023, film productions in Malta are estimated to have generated around EUR 444 million in value added. Cumulatively, taking in consideration films produced between 2005 and 2024, the industry has contributed more than EUR 1.3 billion to the Maltese economy. These correspond to more than EUR 1.5 billion in 2024 price levels (See Table A1 in the Appendix).**

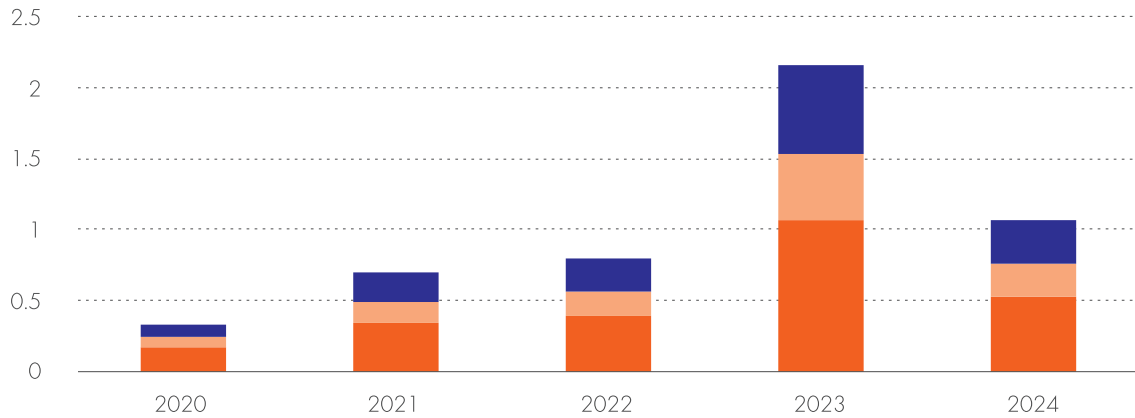
**Chart 5 shows the employment headcount impact of film production in Malta. As expected, these results mirror those of economic activity, with employment contribution peaking in 2023 at around 6500. This implies that at its peak, film production activity in Malta has contributed to the employment of around 6500 employees.**

Turning to the macroeconomic effects of film production in Malta, we see that film production has had significant effects on a number of aggregated final demand components that have contributed considerably to GDP. In particular, film production, mainly through the considerable expenditure on direct and indirect local labour, leads to considerable increases in household disposable income which leads to an increase in private consumption. As expected, this industry also generates considerable effects on exports through an increase in exports of services.

**Chart 4**  
**TOTAL GVA EFFECTS OF**  
**FILM EXPENDITURE BY TYPE**

Percent deviation from no expenditure baseline

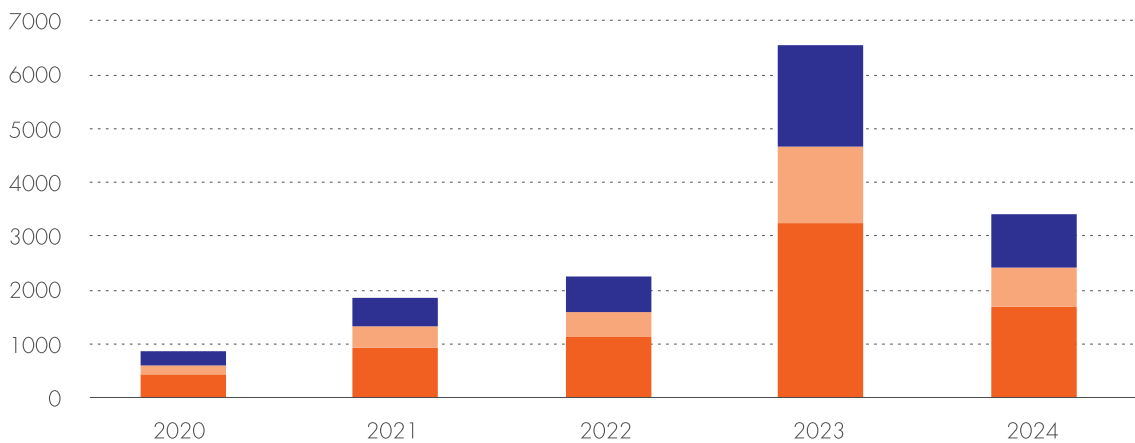
Direct █  
 Indirect █  
 Induced █



**Chart 5**  
**TOTAL EMPLOYMENT EFFECTS OF**  
**FILM EXPENDITURE BY TYPE**

Head count

Direct █  
 Indirect █  
 Induced █



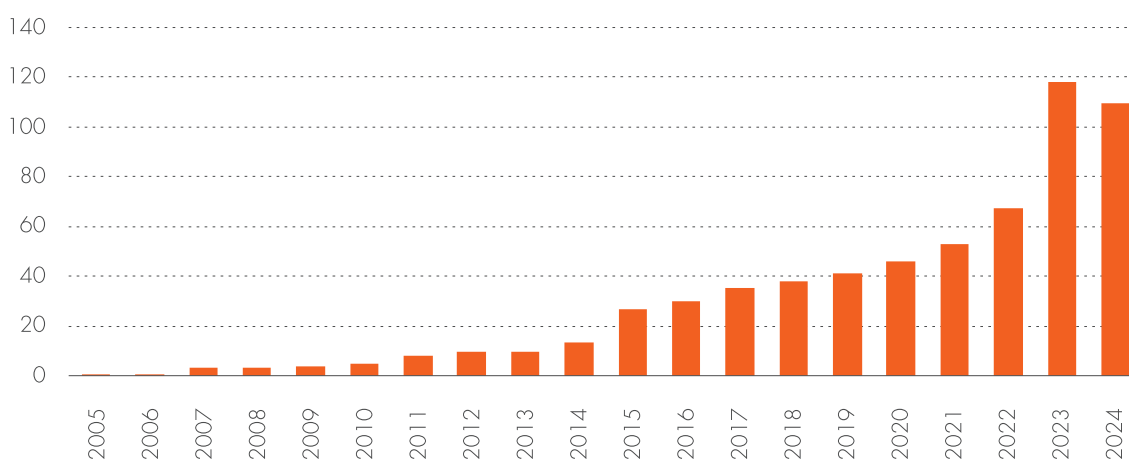
**Table 2**  
**TOTAL EFFECTS OF FILM  
PRODUCTION EXPENDITURE**

Percent deviation from no Expenditure Baseline

|                                      | 2020  | 2021  | 2022  | 2023  | 2024  |
|--------------------------------------|-------|-------|-------|-------|-------|
| <b>GDP</b>                           | 0.33  | 0.70  | 0.79  | 2.16  | 1.06  |
| <b>Private consumption</b>           | 0.61  | 1.27  | 1.45  | 3.95  | 1.94  |
| <b>Government Consumption</b>        | 0.14  | 0.30  | 0.34  | 0.92  | 0.45  |
| <b>Gross Fixed Capital Formation</b> | 0.21  | 0.44  | 0.50  | 1.37  | 0.67  |
| <b>Changes in Inventories</b>        | -0.31 | -0.66 | -0.75 | -2.04 | -1.00 |
| <b>Total Exports</b>                 | 0.15  | 0.31  | 0.36  | 0.97  | 0.48  |
| <b>Imports</b>                       | 0.18  | 0.38  | 0.44  | 1.19  | 0.58  |

**Chart 6**  
**CUMULATIVE NET EFFECTS OF FILM PRODUCTION  
ON GOVERNMENT FINANCES**

Millions of Euro, tax revenues net of rebates



As argued above, the increase in film production expenditure coincides with the increase in rebate rates provided by the Maltese authorities. In order to understand whether such rebates had a net negative or positive effect on Government finances, we undergo a cost benefit analysis that utilises model outcomes to estimate the increases in tax revenues collected by the Maltese Government as a consequence of the increase in economic output driven by film production activity.

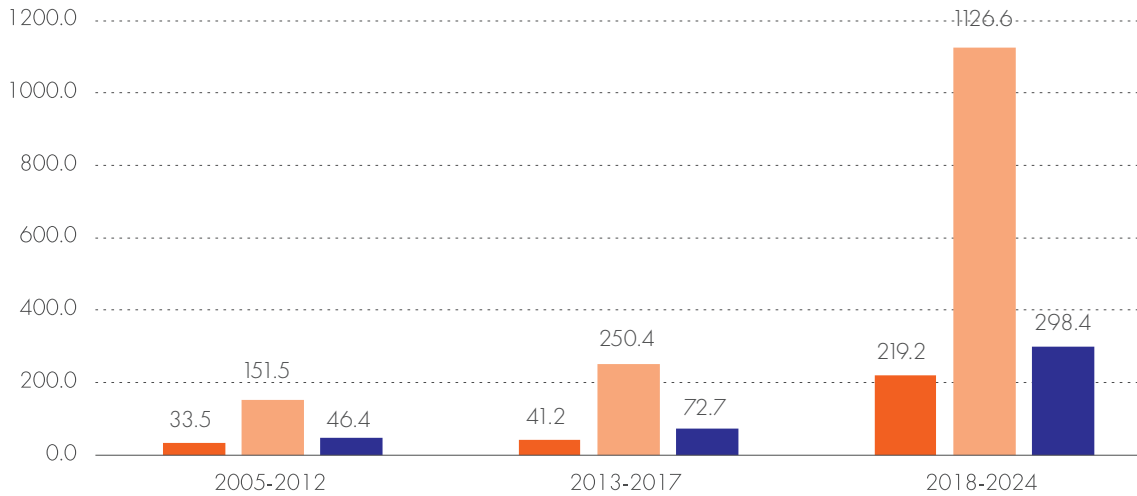
Chart 6 shows that film activity in Malta has generated tax revenues that have always exceeded the cash rebates offered to film producers. This positive result is found across all the sample under consideration (that is between 2005 and 2024) and is driven by the fact that film production has particularly high value-added multipliers, implying that an increase in final demand of film production leads to a more than proportional increase in value added and thus tax revenues. This result suggests that the general practice of providing film producers with cash rebates in order to attract film productions in Malta, does not only lead to positive economic activity but also leads to positive net fiscal effects.

### Chart 7

## IMPACT OF EXPENDITURE ON FILMS

Euros in 2024 prices

Expenditure for Government █  
GDP impact from films █  
Tax revenue generated █

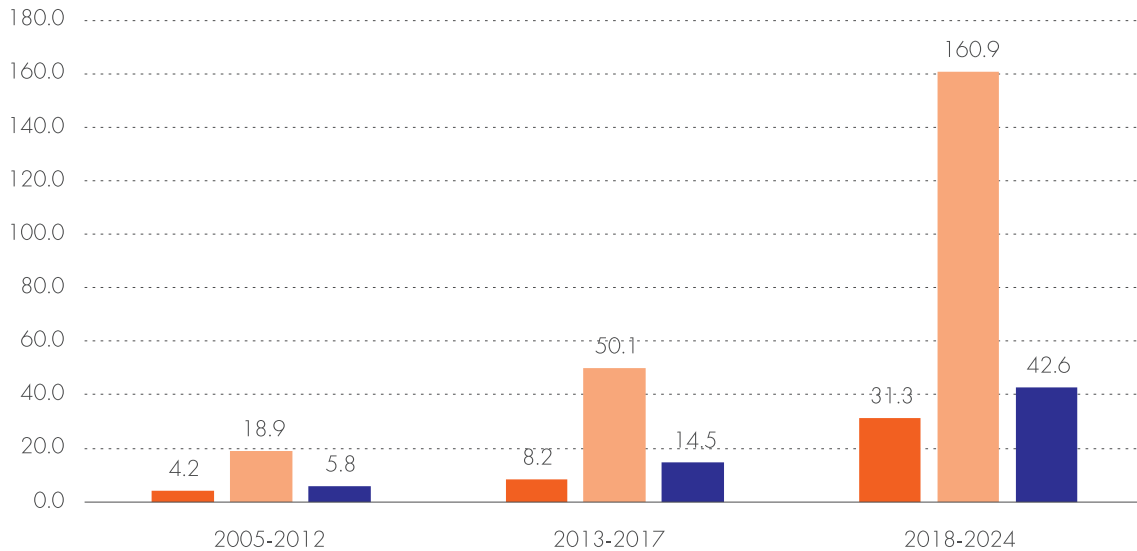


### Chart 8

## AVERAGE ANNUAL IMPACT OF EXPENDITURE ON FILMS

Euros in 2024 prices

Expenditure for Government █  
GDP impact from films █  
Tax revenue generated █



Charts 7 and 8 summarise the impact of the film industry on Government expenditure, Malta's GDP and tax revenue. Chart 7 divides the period during which the rebate scheme has been operational into 2005-2012, 2013-2017 and 2018-2024. Chart 8 then converts these impacts into annual average impacts in each period.

It is clear that while Government expenditure has increased in absolute terms, the economic return from this expenditure has remained very positive and strong. From spending an average €4.2 million in rebates between 2005 and 2012, Government allocated €31.3 million on average annually between 2018 and 2024.

However, the net economic impact has risen from €18.9 million to €160.9 million. Similarly, while the income to Government generated by this economic activity was just €5.8 million in 2005-2012 on average, it has risen to €42.6 million between 2018 and 2024. This when converting nominal expenditure, GDP and Government revenue to 2024 prices.

The evidence thus clearly shows that the tax rebate scheme has a strong economic effect, spread across various sectors of the Maltese economy, generating a significant number of jobs while the scheme more than self-finances itself with a net contribution to the Government budget.

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**Table A1**  
**GDP IMPACT IN MILLIONS OF**  
**NOMINAL AND 2024 PRICES**

|                   | GDP<br>euro millions | GDP euro millions<br>in 2024 prices |
|-------------------|----------------------|-------------------------------------|
| <b>2005</b>       | 7.2                  | 10.9                                |
| <b>2006</b>       | 2.9                  | 4.2                                 |
| <b>2007</b>       | 31.4                 | 45.7                                |
| <b>2008</b>       | 3.4                  | 4.8                                 |
| <b>2009</b>       | 5.1                  | 7.0                                 |
| <b>2010</b>       | 15.6                 | 20.9                                |
| <b>2011</b>       | 31.0                 | 40.5                                |
| <b>2012</b>       | 13.8                 | 17.4                                |
| <b>2013</b>       | 4.0                  | 5.0                                 |
| <b>2014</b>       | 28.6                 | 35.6                                |
| <b>2015</b>       | 105.5                | 129.7                               |
| <b>2016</b>       | 28.0                 | 34.1                                |
| <b>2017</b>       | 38.2                 | 45.9                                |
| <b>2018</b>       | 18.9                 | 22.3                                |
| <b>2019</b>       | 55.6                 | 64.8                                |
| <b>2020</b>       | 47.9                 | 55.4                                |
| <b>2021</b>       | 116.1                | 133.2                               |
| <b>2022</b>       | 145.1                | 156.9                               |
| <b>2023</b>       | 444.7                | 455.4                               |
| <b>2024</b>       | 238.5                | 238.5                               |
| <b>Cumulative</b> | <b>1381.7</b>        | <b>1528.1</b>                       |



## **Dr Aaron G. Grech**

Chief Economist

Aaron G. Grech has been the Chief Economist of the Central Bank of Malta since 2016. In this capacity, he oversees the Bank's economic analysis and research activities, including advising the Governors on monetary policy issues. Dr Grech also serves as Deputy Chairman of the Malta Statistics Authority. Prior to these roles, he was for seven years a research fellow at the London School of Economics. He also worked as an Economic Advisor to the UK government. He holds degrees from the University of Malta, University College London, and the London School of Economics.



