



CAMILLERI PREZIOSI
ADVOCATES

MALTA BUDGET 2025 HIGHLIGHTS



Budget 2025

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Overview

The Budget for the 2025 legislature was presented to the Maltese Parliament on the **28th of October 2024**, against a backdrop of notable global economic growth, despite significant international uncertainty given the upcoming US presidential elections as well as the upheaval being caused by ongoing conflicts in Ukraine and the Middle East.

Further to high inflation observed over 2023, measures to counteract the effects of the rising cost of living in Malta appear to have been effective, with the jurisdiction expecting a decrease in inflation from 5.6% in 2023 to 2.5% in 2024 – this also in line with similar trends witnessed across the EU. However, the effects of the rising cost of living continue to be felt by those who are most vulnerable, such as **pensioners** and **low-income families**. This is evidenced by a number of measures featured in this year's Budget, such as, the **widening of the income tax brackets** and increases in the minimum wage and pensions.

Overview

High on Government's agenda is the prioritised action against **climate change**, with the aim of **reaching climate neutrality by 2050**, in line with the targets set by the European Green Deal. The Climate Action Authority has been established in 2024 to work towards attaining this goal. This will be achieved through various measures including the provision of financial support to those who invest in renewable and/or efficient energy and water sources, allocating further funds to cleaner public transport, opening of additional green public spaces and the efficient management of waste and recycling.

For another year running, **no new taxes** were introduced.

Economic Performance



Gross Domestic Product

GDP growth in the first half of 2024 stood at **5.9% of GDP in real terms**, driven primarily by domestic demand.



Inflation

The annual **inflation** rate for 2024 is anticipated to remain steady at **2.5%** and to further reduce to **2.1%** in 2025.



Employment

Employment expected to increase by **4.6% in 2024** and **4.1% in 2025**.

Government Debt



The deficit for 2024 is expected to come in at **4% of GDP**, a slight decline from the 4.5% deficit previously expected, with further reductions in the deficit being expected in the coming years. The **debt-to-GDP ratio** is expected to amount to **49.5%** for **2024**, increasing to **50.1%** in **2025**.

Cost of Living Increase (COLA) and Minimum Wage



COLA will be increased by **€5.24 per week** and the **national minimum wage** will be increased by **€8.24 per week** to **€221.78 per week**, in 2025.



Personal Income Tax Measures

A most-awaited **adjustment in the tax brackets**, principally through the widening of brackets at the lower income levels, as follows:

Revised Income Tax Brackets for 2025					
Single		Married		Parent	
Income (€)	Rate	Income (€)	Rate	Income (€)	Rate
0 - 12,000	0%	0 - 15,000	0%	0 - 13,000	0%
12,001 - 16,000	15%	15,001 - 23,000	15%	13,001 - 17,500	15%
16,001 - 60,000	25%	23,001 - 60,000	25%	17,501 - 60,000	25%
60,001 +	35%	60,001 +	35%	60,001 +	35%

Personal Income Tax Measures

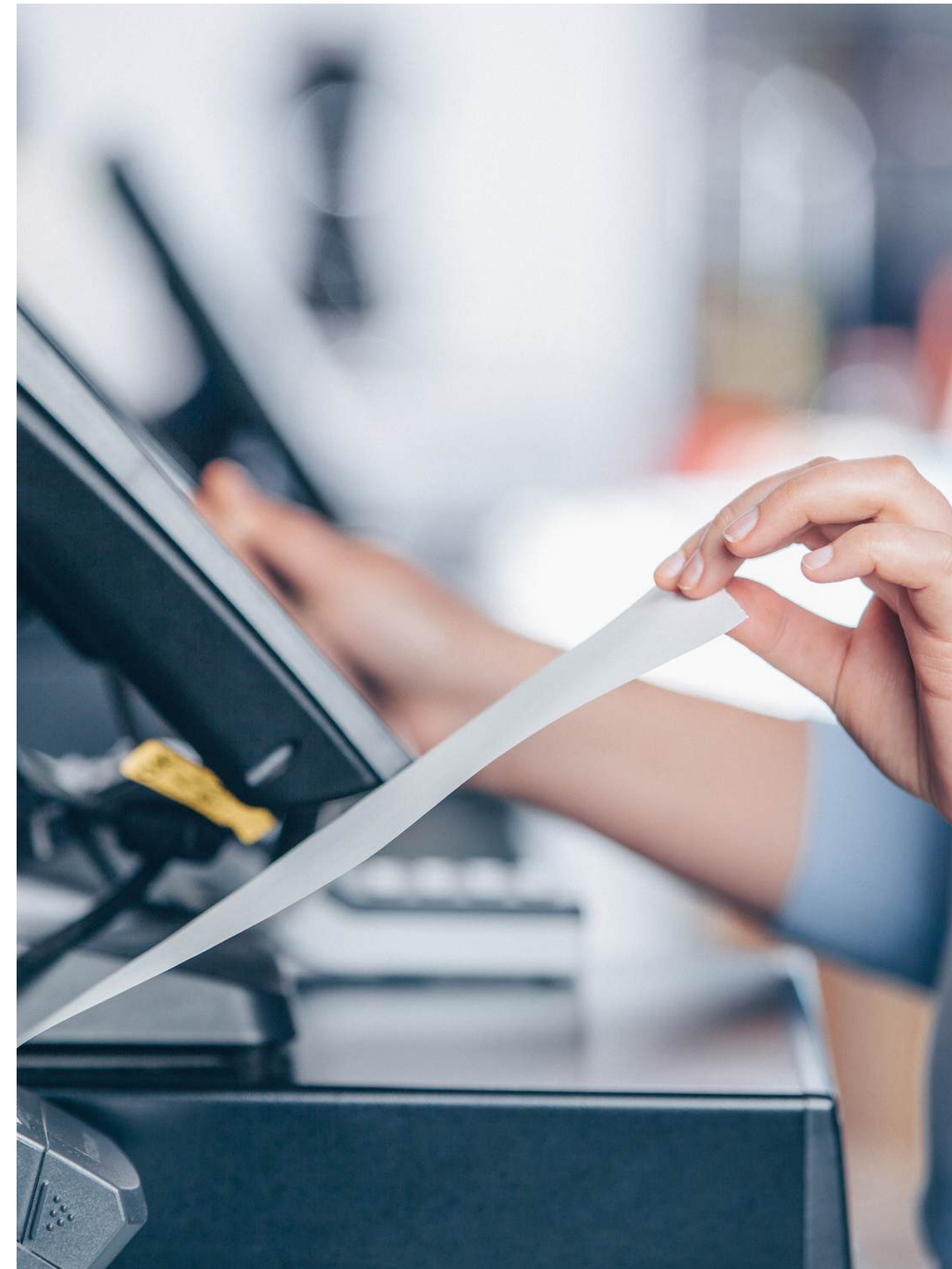
- The pension benefits announced during the budget, including the **€2.76 increase in pensions** per week (exclusive of COLA adjustment), shall continue to be tax-exempt for pensioners aged 61 and over.
- Aimed at encouraging pensioners to continue working beyond retirement age, the **tax-free bracket for pension income** is being increased for the second consecutive year **from 60% to 80%**.
- The **tax deduction for school fees** of children attending private schools, is being **increased** to €3,500 for each child attending kindergarten, €4,600 for each child attending primary school and €6,500 for each child attending secondary school.
- With effect from 2025, the **tax credit** for parents with children with disabilities receiving qualifying therapy, will be increasing **from €500 to €750**.
- Extension of the **Highly Qualified Persons** scheme.
- Employers are required to provide employees with the option of joining an **occupational pension plan**. Whilst employers will not be obliged to contribute to such a plan, the government has committed to matching contributions made by government employees up to a cap of €100 per month. The said occupational pensions will benefit from already existing fiscal incentives.

VAT Measures

As is the case with income tax, certain **VAT incentives** will continue to apply vis-à-vis persons buying or selling property located in an urban conservation area or property which has been built for more than 20 years and has been vacant for a period of more than seven (7) years. In this respect, such persons will also benefit from a **VAT refund of a maximum of €54,000** on the first **€300,000** representing restoration and renovation related expenses.

A **reduced VAT rate of 0%** will apply on **women's sanitary products** and **other medical accessories** used in connection with cancer related treatment.

Extension of the scheme providing a **full VAT refund** for purchase of **bicycles** or **electric scooters**.



International Tax Measures

The Minister has reiterated previous statements made in relation to Malta's decision **to defer the implementation of the Pillar II Rules** until more clarity as to the implementation of the rules emerges - this as permissible under the EU Minimum Tax Directive.

The Minister also commented that discussions with the European Commission regarding the incentives which Malta would intend to introduce under the Pillar II rules, primarily in the form of grants and/or credits such as the **Qualifying Refundable Tax Credits (QRTCs)** are firmly underway - this in order to ensure that Malta conforms with such rules whilst also remaining competitive as a jurisdiction.



Immovable Property

The **reduction in stamp duty rate** for **first-time buyers** and **second-time buyers** shall be extended.

A scheme is being launched which will enable the **redemption** of **temporary emphyteusis** of residential properties, with the aim of increasing eligibility on current and past schemes.



Immovable Property

The previously announced incentive concerning the **exemption** from income tax on capital gains and stamp duty applicable to transfers of residential properties located in **urban conservation areas** or those properties having been built for more than 20 years but **vacant** for a minimum of seven (7) years, **is being extended for another year**. In this respect, **no tax** shall be due on the first €750,000 of the higher of the value and consideration of the property.

First-time buyers of qualifying properties will moreover continue being eligible for a **one-time grant of**:

- €15,000 if the property is located in Malta; and
- €40,000 if the property is located in Gozo.



Incentives for Domestic Businesses

Government is once again extending the concession on the **reduction of stamp duty** from 5% to 1.5% applicable on an inter vivos **transfer of shares in a family business** to descendants.

A **tax credit of up to €500** will remain available to businesses that **donate to voluntary organisations** registered with the Commissioner for Voluntary Organisations that support social, environmental, or animal welfare causes.

The Minister has announced the **extension of the Seed Investment Scheme**, providing additional incentives for investments in local start-ups.



Greener Economy

The Minister referenced the recent launch of the **Climate Action Authority** which was established earlier this year and has already started working towards implementing a **strategy for achieving a carbon neutral economy by 2050**.

The Minister also announced that a process is underway to identify **sites for the installation of wind turbines** and the opening of **new green open spaces** in core village areas as part of Project Green.

In 2025, various existing **grants and incentives to purchase electric vehicles and motorcycles will be extended**. Going forward the maximum grants will be capped at €2,000 for motorcycles and €8,000 for cars and small vans, however for those electric cars purchased prior to 28 October 2024 which have not yet been registered, the previous maximum cap of €11,000 will apply.



Greener Economy

In 2025, the following will also be extended:

Grants and incentives for **e-bikes; e-kick scooters as well as for the scrappage of older vehicles** and conversion of vehicles to run on LPG or to convert to electric power.

The **exemption from vehicle registration tax**, and exemption from **the annual road licence** for electric and certain plug-in hybrid vehicles, for a period of five (5) years from first registration.

Various schemes to incentivise investment in renewable energy, including schemes relating to installation of solar panels and solar water heaters, water purification systems, renewable power storage batteries, heat pump water heaters and restoration of wells in old houses.



Other Measures

Introduction of **new legislation** in 2025 promoting the use of **Limited Partnerships** in Malta, whilst continuing to enhance Malta's attractiveness by strengthening the legislative framework for the **financial services sector, wealth management, aircraft leasing, fintech and AI**.

Development of a **Digital Identity Wallet** enabling Maltese citizens and businesses to share their digital identity securely and efficiently through a smartphone app.

Introduction of **new legislation** to regulate a **digital platform for workers**, to strengthen **work-life balance** and to establish '**Equal Pay for Work of Equal Value**' is set to come into force from 1 January 2025.

Continuation of **free transport programme** and increase in routes and number of buses.

Investment in an **Intelligent Traffic Management System**.





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