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Malta Budget Highlights 2026

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Malta Budget 2026

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Overview

The Budget for the 2026 legislature was presented to the Maltese Parliament on the **27th of October 2025**, highlighting Malta’s continued strong economic performance and having the highest economic growth in the European Union.

Further to high inflation observed over 2024, previous measures to counteract the effects of the rising cost of living in Malta appear to have been effective, with the jurisdiction having seen a decrease in inflation from 5.6% in 2023 to 2.5% in 2024 and now expecting a **further decrease to 2.2% in 2025** – 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 social measures featured in this year’s Budget, such as the various increases in pensions and other allowances.

High on Government’s agenda were measures designed to increase **investment in digital innovation and AI**, with environmental initiatives taking more of a back seat in this year’s Budget.

In addition, this year’s Budget had a heavy social focus with a variety of new social measures being introduced, the highlight of these being the **introduction of new income tax brackets for taxpayers with children**.

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

Economic Overview

Gross Domestic Product

Real GDP growth of **3.1%**, driven primarily by domestic demand and exportation of services.

Inflation

Annual **inflation** is anticipated to stabilise at **2.2%**.

Tourism

Over **2.2 million tourists** visited Malta in the first 7 months of 2025 resulting in an increase in tourist spending of 19.1%

Government Debt

The deficit for 2025 is expected to come in at **3.3%** of **GDP**, a slight decline from the 3.5% 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 **47.1%** for **2025 with further decreases expected**.

Cost of Living Increase (COLA)

COLA will be **increased** by **€4.66 per week**.

Personal Income Tax Measures



One of the key highlights of the 2026 Budget was the introduction of **new income tax brackets featuring increases in tax-free thresholds** for certain families, in an effort to address Malta's declining birth rate. New tax brackets will be introduced for:

1. married couples with one child;
2. single parents with one child;
3. married couples with two or more children;
4. single parents with two or more children;

These will be implemented over a period of three years, as detailed in the following slides.

Personal Income Tax Measures

Married Couples with One Child

Income (€)	Rate	Subtraction 2026 (€)	Subtraction 2027 (€)	Subtraction 2028 (€)
0 - 17,500	0%	0	0	0
17,501 - 26,500	15%	2,625	3,000	3,375
26,501 - 60,000	25%	5,275	6,000	6,725
60,001 +	35%	11,275	12,000	12,725

Personal Income Tax Measures

Single Parents with One Child

Income (€)	Rate	Subtraction 2026 (€)	Subtraction 2027 (€)	Subtraction 2028 (€)
0 – 14,500	0%	0	0	0
14,501 – 21,000	15%	2,175	2,400	2,700
21,001 – 60,000	25%	4,275	4,850	5,500
60,001 +	35%	10,270	10,850	11,500

Personal Income Tax Measures

Married Couples with Two or More Children

Income (€)	Rate	Subtraction 2026 (€)	Subtraction 2027 (€)	Subtraction 2028 (€)
0 – 22,500	0%	0	0	0
22,501 – 32,000	15%	3,375	4,500	5,550
32,001 – 60,000	25%	6,575	8,600	10,550
60,001 +	35%	12,575	14,600	16,550

Personal Income Tax Measures

Single Parents with Two or More Children

Income (€)	Rate	Subtraction 2026 (€)	Subtraction 2027 (€)	Subtraction 2028 (€)
0 – 18,500	0%	0	0	0
18,501 – 25,500	15%	2,775	3,600	4,500
25,501 – 60,000	25%	5,325	6,950	8,700
60,001 +	35%	11,325	12,950	14,700

Personal Income Tax Measures (cont.)

- Pensioners will continue to enjoy a **full tax exemption** on amounts up to the maximum pension equivalent (including bonuses).
- In addition, higher income pensioners will benefit from an **enhanced exemption**, with double the maximum pension equivalent being excluded from taxable income.
- A **minimum of 10 years of social security contributions** will be required to qualify for a pension, regardless of the year of birth. Contributions made before turning 18 will count towards this requirement if needed.

Social Measures

The 2026 Budget includes several social measures, covering:

€10 per week increase in select **Pensions** (including retirement pensions, invalidity pensions, widower’s pensions, and age pensions).

Higher Allowances for Seniors living at home, with relatives, or in private care.

€10 per week increase in **Allowances for Widowed Parents**, extending eligibility until children reach 23.

Increase in **Supplementary Allowance** for eligible individuals of up to €27.30/week (couples), €14.40/week (singles) and with the income limits raised to €20,000 (couples) and €14,000 (singles).

Increase in **Children’s Allowance** targeting families falling within the **lowest tax bracket or qualifying under the tax-free threshold**. Families with income under €30,000 will be eligible for an extra €250 per child, whereas families with income under €23,000, in addition to the €250, may receive up to an additional €167 per child, depending on their income.

Social Measures

Numerous other social benefits were also introduced or renewed, including:

- Increase in the **Birth and Adoption Bonus**, as follows:
 - €1,000 for the first child;
 - €1,500 for the second;
 - €2,000 for the third and beyond;

Increase in **Adoption Grant** (reimbursements of up to €12,000 for foreign adoptions and €2,000 for local, with €500 as a direct grant);

€10 per week increase in the **Fostering Allowance**;

Improvements to certain **Unemployment Benefits**;

Increase in allowance for **drug-dependent persons in rehabilitation programs**;

Higher support for **persons with disabilities and for carers**;

Increase in the **Carers' Grant of €179** (now also for non-working parents of children under 16 with severe disabilities);

€250 increase in **Therapy Reimbursement** for children under 16 with disabilities, with eligibility extended to age 23.

Immovable Property

- The **First-Time Buyers Scheme** (in the form of a reduced (0%) stamp duty rate on the first €200,000) is being **enshrined in primary legislation**, with improved conditions which will allow buyers of non-residential properties to also benefit.
- The First-Time Buyers grant scheme has remained a temporary measure but will be **extended** for another year, with eligible buyers receiving **€1,000 annually over ten years**.
- The **reduced stamp duty rate of 3.5%** on transfers of residential properties *causa mortis* has **been extended** to apply to the **first €400,000** instead of the first €200,000.
- Urban Conservation Area (**UCA**) - Although not mentioned in the Budget Speech, Prim Minister Robert Abela confirmed the extension of the tax exemption on the first €750,000 on transfers of certain property in a UCA for 2026.

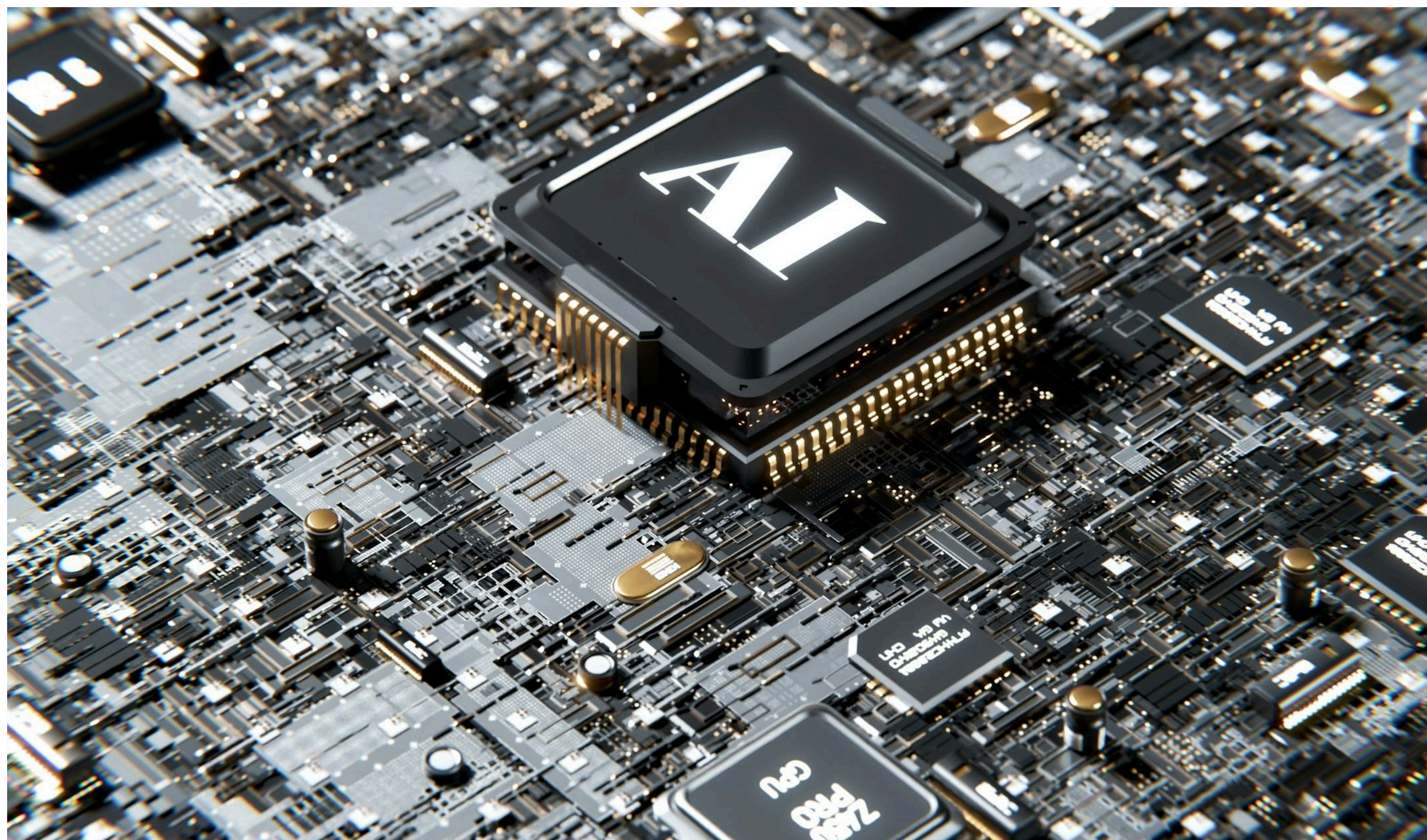




Immovable Property

- The scheme providing a 10% deposit loan for home purchases will be increased from €225,000 to €250,000, assisting buyers who lack sufficient funds to enter into a promise of sale agreement. The loan is repayable over 25 years with interest covered by the Housing Authority.
- The Equity Sharing Scheme will be extended to applicants aged 25 and over, enabling the 25-30 age group—previously unable to obtain loans or lacking sufficient funds—to purchase their home. Applicants pay half the property price whilst the Housing Authority provides the balance, repayable over 20 years.

Investing in the Future: AI, Digitalisation and R&D



- The Government is investing in crucial technological infrastructure with a public call by year-end to establish a **National Digital Identity Wallet**, giving citizens and businesses secure, simple control over sharing and verifying their digital identity and certificates.
- Free **AI courses** with certification and a free subscription to AI services, including ChatGPT and Gemini.
- **175%** tax relief on eligible **Research and Innovation** spending.
- To encourage businesses to invest in capital, increase efficiency and become increasingly competitive, the popular **Micro Invest scheme** continues to be strengthened. The scheme now includes investment in digital solutions, with tax credits increased to €65,000 (up to a maximum of 65% of eligible costs).
- The additional 20% bonus for **enterprises in Gozo** will also remain, whilst total aid for specific existing enterprise categories can reach up to a maximum of €85,000.

Greener Economy

In contrast to the previous Budget, the transition towards a Greener Economy has not taken centre stage in the 2026 Budget. While a number environmental incentives and support for renewables still feature, the overall focus has shifted to sustaining existing measures such as energy subsidies and targeted social reforms, rather than introducing new ambitious green initiatives.

This reflects a broader trend at European Union level, where recent policy, influenced by the Draghi Report, has prioritised regulatory simplification and competitiveness over major environmental transitions.

The key environmental related measures included:

1. Investments in electric **infrastructure**;
2. Measures to improve Malta's **water quality**;
3. Extension of various grants/schemes for **investments in renewable energy** and other energy efficient investments;
4. Opening of **new green open spaces** in core village areas.
5. Extension of existing grants for **electric cars** and scrappage of other vehicles;
6. New cash grant of €5,000 per year for 5 years to those **under 30 who renounce their driving license**;
7. New cash grant of €1,500 for buyers of motorcycles and for those **renouncing their car license for a motorcycle license**.
8. The **eco-contribution** per tourist per day will be increased from €0.50 to €1.50.

Incentives for Domestic Businesses

- Continued financial support will be provided to enterprises investing to increase added value and productivity, or to those establishing new businesses. A **60% tax credit**, spread over four years, will apply to eligible investments in **machinery, tools, equipment, IT software, electronic machinery and cybersecurity** solutions made within the next two years.
- In line with the Government's commitment to simplification and reduction of excessive bureaucracy, **cooperatives** will be **exempt from the obligation to submit audited accounts for tax purposes**.
- To ensure stable succession and sustainable growth, **existing schemes will be extended**: reduced stamp duty rate (1.5%) on interfamilial transfers, grants for consultancy on governance and succession, training vouchers, and digitalisation and financing support—enabling family businesses to plan long-term and grow.
- The **Business Development Scheme** will be extended again to assist enterprises that are expanding, transforming and creating specialised jobs. The start-up ecosystem has been strengthened through additional concrete initiatives: **B-Start** provides **seed capital** whereas **Startup Finance** offers **repayable loans**.
- In efforts to support small businesses, a new grant of up to 50% of the cost of industrial garages (capped at a maximum of €300,000) will be introduced

Other Measures



- The newly inaugurated **Credit Review Office** facilitates dialogue between banks and businesses on commercial lending. Where a company believes it has received an unjust credit refusal from a bank, the Office provides a clear route and guidance to appeal to the Arbiter for Financial Services.
- Further action is being taken against unnecessary administrative burdens through a **Central Common Data Repository** and streamlined due diligence that simplifies applicant identification and minimises documentation requirements.



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Thank You.

Have Questions?

We're Here to Help.

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