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Malta Budget Highlights 2027

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OVERVIEW

The Budget for 2027 was presented to Parliament on 26 October 2026, with the Minister for Finance describing it as the most important of his six years in office, combining fiscal consolidation with a strong social package.

Government reiterated that energy and fuel prices will remain stable. Subsidies are expected to cost around €392 million in 2026 and roughly €400 million again in 2027, and account for about half of the deficit (1.4% of GDP).

The deficit is targeted at 2.6% of GDP in 2027, below the 3.0% threshold, after Malta exited the EU excessive deficit procedure in June 2026.

There are no expected increases in income tax rates, VAT or social security contributions, and the three-year income tax cut for parents is set to continue.

The Budget signals a shift in the economic model towards productivity and value added, with lower corporate tax for small companies that reinvest profits.

New revenue comes from activities seen as adding pressure on infrastructure: higher tourism eco-contributions, higher fees for third-country national work permits, and tighter eligibility for certain free benefits.

A social package exceeding €121 million includes pension increases and the Super Bonus.

MACROECONOMIC HIGHLIGHTS

4.7%

Real GDP growth in 2025

4.4%

Real GDP growth in H1 2026
(EU average 1.2%)

3.8%

Forecast real GDP growth for
2027 (4.1% in 2026)

3.2%

Forecast unemployment rate
for 2027 (3.3% in 2026)

2.7%

Forecast inflation for 2027
(2.5% in 2026)

€6.41

Weekly cost of living increase
(COLA) for 2027

4.5m+

Tourists in 2026, spending
about 28 million nights

€1.35bn

Energy and fuel subsidies,
2022 to 2026

FISCAL POSITION

Government revenue is expected to reach €10.1 billion in 2027, €1.0 billion more than in 2026. Tax revenue is expected to reach €9.0 billion.

Recurrent expenditure is expected to reach €9.4 billion and capital expenditure almost €1.5 billion. About €390 million of capital spending is EU funded.

The 2025 deficit closed at 2.1% of GDP, against a forecast of 3.3%.

Debt is expected to remain stable at about 46.8% of GDP in 2027.

General government deficit and debt, 2025 actual to 2029 estimates					
	2025	2026	2027	2028	2029
Deficit (% of GDP)	2.1%	2.6%	2.6%	2.2%	1.8%
Debt (% of GDP)	46.3%	46.7%	46.8%	46.4%	45.8%
GDP (€ billion)	24.7	26.3	28.1	29.8	31.6
General govt. debt (€ billion)	11.4	12.3	13.1	13.8	14.5

2025 figures are actual, 2026 figures are revised and 2027 to 2029 figures are estimates, based on the fiscal tables annexed to the Budget Speech.

PERSONAL INCOME TAX MEASURES

- Government confirmed that there will be no increase in income tax rates, VAT or social security contributions.
- The Budget extended the three-year income tax cut for families with children announced in the 2026 Budget.
- The second and third phases apply in 2027 and 2028 to four categories of parents:
 - married couples with one child;
 - parents with one child;
 - married couples with two or more children;
 - parents with two or more children.
- Persons earning the national minimum wage will continue to pay no income tax, despite the increase in the minimum wage.

PERSONAL INCOME TAX MEASURES

Married Couples with One Child

2027			2028		
Income (€)	Rate	Subtract	Income (€)	Rate	Subtract
€0 – €20,000	0%	€0	€0 – €22,500	0%	€0
€20,001 – €30,000	15%	€3,000	€22,501 – €33,500	15%	€3,375
€30,001 – €60,000	25%	€6,000	€33,501 – €60,000	25%	€6,725
€60,001+	35%	€12,000	€60,001+	35%	€12,725

The tax-free threshold rises from €17,500 to €20,000 in 2027 and €22,500 in 2028. The maximum tax saving rises from €725 in 2026 to €1,450 in 2027 and €2,175 in 2028.

Source: Budget Speech 2027, delivered on 26 October 2026. Measures remain subject to implementing legislation.

PERSONAL INCOME TAX MEASURES

Parents with One Child

2027			2028		
Income (€)	Rate	Subtract	Income (€)	Rate	Subtract
€0 – €16,000	0%	€0	€0 – €18,000	0%	€0
€16,001 – €24,500	15%	€2,400	€18,001 – €28,000	15%	€2,700
€24,501 – €60,000	25%	€4,850	€28,001 – €60,000	25%	€5,500
€60,001+	35%	€10,850	€60,001+	35%	€11,500

This computation applies where both parents work and have one child. The tax-free threshold rises from €14,500 to €16,000 in 2027 and €18,000 in 2028. The maximum saving per parent is €575 in 2026, €1,150 in 2027 and €1,800 in 2028.

Source: Budget Speech 2027, delivered on 26 October 2026. Measures remain subject to implementing legislation.

PERSONAL INCOME TAX MEASURES

Married Couples with Two or More Children

2027			2028		
Income (€)	Rate	Subtract	Income (€)	Rate	Subtract
€0 – €30,000	0%	€0	€0 – €37,000	0%	€0
€30,001 – €41,000	15%	€4,500	€37,001 – €50,000	15%	€5,550
€41,001 – €60,000	25%	€8,600	€50,001 – €60,000	25%	€10,550
€60,001+	35%	€14,600	€60,001+	35%	€16,550

The tax-free threshold rises from €22,500 to €30,000 in 2027 and €37,000 in 2028. The maximum saving is €2,025 in 2026, €4,050 in 2027 and about €6,000 in 2028.

Source: Budget Speech 2027, delivered on 26 October 2026. Measures remain subject to implementing legislation.

PERSONAL INCOME TAX MEASURES

Parents with Two or More Children

2027			2028		
Income (€)	Rate	Subtract	Income (€)	Rate	Subtract
€0 – €24,000	0%	€0	€0 – €30,000	0%	€0
€24,001 – €33,500	15%	€3,600	€30,001 – €42,000	15%	€4,500
€33,501 – €60,000	25%	€6,950	€42,001 – €60,000	25%	€8,700
€60,001+	35%	€12,950	€60,001+	35%	€14,700

Around 29,300 parents use this computation. The tax-free threshold rises from €18,500 to €24,000 in 2027 and €30,000 in 2028. The maximum saving per parent is €1,625 in 2026, €3,250 in 2027 and €5,000 in 2028.

Source: Budget Speech 2027, delivered on 26 October 2026. Measures remain subject to implementing legislation.

SUPER BONUS AND PENSIONERS

Super Bonus (tax-free)	
Employment income (2025)	Bonus
€12,000+	€1,000
€11,000 – €11,999	€925
€10,000 – €10,999	€875
€9,000 – €9,999	€800
€8,000 – €8,999	€725
€7,000 – €7,999	€650
€6,000 – €6,999	€575
€2,000 – €5,999	€500

Super Bonus

- The Super Bonus will be paid in the first quarter of 2027 to all eligible persons who were working in 2025, using 2025 as the basis year.
- Persons with employment income of €12,000 or more receive a non-taxable payment of €1,000. Persons with lower income receive a pro-rata amount.
- Self-employed persons, elderly persons still working and part-time workers are also eligible.

Pensioners

- The tax-free ceiling on pension income rises by €520 to €37,624 a year.
- Pensioners will continue to pay no tax on their pension.

CORPORATE TAX AND ADMIN MEASURES

Reduced tax rate for small companies

- A new framework will let companies with turnover not exceeding €1 million benefit from a reduced tax rate of 25% instead of 35%.
- The reduced rate applies only to retained or reinvested profits. Profits distributed as dividends remain taxable according to applicable personal/corporate tax rates and subject to an effective top-up to 35%.
- It will apply subject to conditions and limitations set out in the relevant rules.

Separate tax returns

- A project will reform the filing framework so that, as a general rule, each spouse files an individual tax return.
- Joint filing will remain available by election in certain circumstances.

Transfers of air space

- Targeted measures will require fuller disclosure of the total consideration agreed in the context of certain transfer of airspace
- Valuation and verification procedures will be enhanced.

VAT measures

- A new mechanism in the construction sector (akin to a domestic reverse charge) will shift VAT liability from the supplier to the business customer.
- To enhance the issuance of correct VAT invoices/receipts, a new penalty system replaces immediate criminal proceedings with administrative penalties: €100 for a 1st breach, €200 for a 2nd, €400 for a 3rd, rising to €500 for a 4th and every breach after that within 24 months. Payment of the penalty within 30 days extinguishes criminal liability for that breach.

TOURISM AND TRANSPORT CONTRIBUTIONS

Eco-contribution (from 1 January 2027)

- Hotel accommodation: €8 per night, up to €64 per person.
- Short lets: €10 per night, up to €80 per person.
- The contribution applies to persons over 18. English language schools will be exempt.
- A new €10 eco-contribution will apply to cruise passengers who disembark and re-embark in Malta. Passengers starting their cruise in Malta are excluded.
- A €5 eco-contribution will be added to the Comino (Blue Lagoon) booking system.
- Fast ferry fares for tourists rise by €3 per trip.
- Annual registration fees rise for vessels of 10m to 24m, excluding professional fishermen. Expected revenue is about €3 million.

Gozo Channel tariffs for non-residents		
Category	Current	New
Non-resident adult	€4.65	€11.00
Non-resident child	€1.15	€7.00
Vehicle and driver	€15.70	€22.00
Vehicle, driver and adult	€20.35	€33.00
Vehicle, driver, adult and child	€21.50	€40.00

The revised Gozo ferry tariffs are expected to generate about €13 million in additional revenue, offsetting a reduction in the subsidy.

LABOUR MARKET AND ELIGIBILITY CHANGES

Work permits for third-country nationals

- The fee for a new application rises by €200, from €600 to €800 per person.
- A new annual €400 infrastructure contribution applies to new applicants and renewals. Minors under 18 are exempt.
- Several permits issued by Identità will also have revised fees. The increases are expected to generate about €80 million.

Eligibility for free benefits (from January 2027)

- Free public transport, the atypical work cheque and free childcare will be limited to Maltese citizens, resident EU citizens and long-term residents. Current childcare users are not affected.
- Holders of non-EU driving licences may drive for up to 12 months from entry. After that, a Maltese or EU licence is required.
- A €83 monthly administrative fee will apply to category B and B1 licences issued or renewed, with exemptions for EU/EEA nationals, long-term residents and their spouses, and UK, Australian and UAE citizens.
 - *These four measures are expected to yield €46 million a year in savings or new revenue.*

SOCIAL MEASURES AND PENSIONS

A social package exceeding **€121 million**. The retirement age and social security contribution rates will remain unchanged.

- The national minimum wage rises by €10.41 per week in 2027, including COLA.
- From January 2027, retirement, invalidity, widows' and age pensions rise by €10 per week.
- From 2027, contributions may be transferred between spouses so that a spouse without a pension can qualify.
- The maximum pensionable income for pensioners born before 1962 rises to €28,000.
- More than 7,000 widows will receive a further increase, so that all widows receive a full two-thirds pension.
- All pensioners will receive the same cost of living bonus of €21.53 per week in 2027.
- The amount of service pension disregarded rises by €300 a year (previously €200). For service pensioners aged 72 and over, the full commuted amount will be disregarded.

SOCIAL MEASURES (CONT.)

- About 14,000 families will receive €500 per child in post-secondary education.
- The Carers Grant rises to €7,500 a year, as a first step towards the net minimum wage.
- The Carer at Home benefit rises by €800 to €9,800 a year.
- Reimbursement for foreign adoptions rises by €1,000 to €13,000.
- Working foster carers become entitled to 10 days of additional leave, funded by Government.
- The supplementary allowance for orphans in tertiary education is extended to age 25, at €170 per week.
- Government will help with the costs of therapies needed by children with disability under 18.
- Up to two years of social security credits will be given for absences due to mental health problems or domestic violence.
- The Increased Severe Disability Assistance rises by €9.37 per week. Other disability, carer and social assistance benefits rise by €6.41 per week.
- Four remaining anomaly compensation schemes will close, ending 11 years of payments totaling €105 million to 9,000 persons or their heirs.

ECONOMY AND FINANCIAL SERVICES

Financial services

- The regulator and MFSAC are expected to continue working to improve the regulatory and administrative framework, to attract new investment.
- The Budget highlighted family offices, crypto companies, fintech and aircraft leasing as sectors whose presence in Malta continues to grow.

Enterprise support and other schemes

- Malta Enterprise will continue incentives for digitalisation, automation and high value-added investment, and to attract new niches.
- Various existing schemes including those relating to housing, property acquisitions, charitable and sportive organisations, acquisitions of electric vehicles and renewable energy, are all set to be renewed.

Tourism and aviation

- Airline incentives will be reviewed to attract more tourists in the shoulder and winter months, and from quality markets.
- A strategic partner is being sought for KM Malta Airlines. Several non-disclosure agreements have been signed and talks are ongoing.

Productivity signal

- The Budget describes lower tax on reinvested profits, combined with higher contributions linked to third-country workers and tourism, as a clear signal to shift the economy towards technology, productivity and quality.

ENERGY, INFRASTRUCTURE AND HEALTH

Energy

- About €75 million is expected to be invested in electricity distribution in 2027.
- A second interconnector to Sicily will double capacity. Studies continue on a third interconnector, a new 132kV Malta and Gozo link, and a 300MW offshore wind farm.
- Investment in large-scale and domestic battery storage, towards a target of 25% renewables by 2030 (18.8% reached in 2025).

Infrastructure

- Projects include Msida Creek, the Pinto 4 and 5 and Lascaris extensions, and shore supply in the Grand Harbour, due to be completed by the end of 2028.

Health

- Mater Dei Emergency Department extension will double capacity from 35 to 70 treatment spaces. A new 135-bed mental health unit is planned.
- Gozo General Hospital: nine additional outpatient clinics and expanded operating theatres are planned.
- From 2027, Government will also cover the cost of a person accompanying an adult receiving treatment abroad.

Sport

- Elite athletes and accompanying technical and medical staff will get 10 days of paid sports leave for European and world championships.

Thank you.



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