



MALTA BUDGET 2027

HIGHLIGHTS & KEY MEASURES

Consolidating Malta's Economy
to Ensure Sustainability

2027 BUDGET HIGHLIGHTS

A general guide to economic developments and fiscal measures



Overview

The 2027 Budget, presented in Parliament by the Minister of Finance, places particular emphasis on consolidating Malta's economy, with a clear focus on securing sustainability for future generations.

Fiscal and Economic Review

The international environment became more challenging during 2026. Escalating geopolitical tensions in the Middle East disrupted energy supplies and maritime transport, increasing energy, food and transportation costs. These developments contributed to renewed inflationary pressures and weaker confidence. Global economic growth was projected to moderate from 3.5 per cent in 2025 to 3.0 per cent in 2026, before recovering to 3.4 per cent in 2027.

Euro Area growth was expected to remain subdued, at 0.9 per cent in 2026 and 1.2 per cent in 2027. Against this backdrop, Malta's economic resilience remained significant, although the country is not insulated from external developments. The Maltese economy performed well in the first half of 2026.

Economic growth and sectoral performance

Nominal & real Gross Domestic Product (GDP) expanded by 6.9% and 4.4% respectively.

Domestic demand was the principal contributor to growth, adding 5.3 percentage points. Private consumption increased by 3.4 per cent, supported by favourable labour market conditions, while public consumption grew by 12.8 per cent.

Gross fixed capital formation increased by 8.2 per cent, reflecting stronger investment, particularly in intellectual property products. However, net exports detracted 0.9 percentage points from growth, as imports increased more rapidly than exports.

- Gross Value Added (GVA) rose by 6.8 per cent to €11.7 billion. Growth was relatively broad-based, with important contributions from wholesale and retail trade, transportation, accommodation and food services; public administration, education and health; information and communication; financial services; and professional activities.
- Manufacturing recorded nominal growth of 6.1 per cent and real growth of 4.7 per cent, supported by several subsectors, particularly the production of rubber, plastic, metal and mineral products. Financial services rebounded strongly, registering nominal growth of 10.3 per cent and real growth of 9.5 per cent. Digital services remained an important source of economic dynamism, with GVA increasing by 4.5 per cent and employment by 3.5 per cent.
- Tourism also performed strongly. Between January and July 2026, inbound visitors reached 2.6 million, an increase of 18.3 per cent, while tourist expenditure rose by 15.8 per cent to €2.3 billion.

Inflation, labour market and social developments

- Inflation in Malta remained comparatively contained despite renewed international price pressures. In August 2026, Harmonised Index of Consumer Prices inflation stood at 2.0 per cent, whilst Malta's twelve-month moving average was 2.3 per cent.
- Nevertheless, domestic price pressures persisted, particularly in services and food. Services inflation averaged 3.3 per cent and contributed 1.3 percentage points to overall inflation. Food prices remained vulnerable to international price movements, freight costs and Malta's reliance on imported goods. Retail Price Index inflation averaged approximately 2.6 per cent during the first eight months of 2026, driven mainly by food and housing.
- Based on the harmonised Residential Property Price Index (RPPI), property prices in Malta rose by 6.0 per cent in 2025 from the previous year. This was higher than the European Union (EU) average, which stood at 5.5 per cent. During the



first half of 2026, property prices continued to increase in Malta, with the RPPI increasing by 6.9 per cent compared to the same period in the previous year.

- Malta's labour market remained strong, characterised by high participation, rising employment and relatively low unemployment. In the second quarter of 2026, the activity rate among people aged 15–64 reached 82.8 per cent. Employment increased by 3.4 per cent to 339,935 people, while the employment rate for this age group reached 80.1 per cent. Unemployment stood at 3.3 per cent, below the EU-27 rate of 6.0 per cent.
- Foreign workers continued to play an important role, accounting for 40.6 per cent of full-time and part-time employment in April 2026. This reflects the importance of migration in meeting labour demand, but also underlines the need for effective workforce planning, skills development and policies that support productivity.
- Demographic developments pose a longer-term challenge. Malta's resident population reached 588,254 at the end of 2025, an increase of 2.4 per cent. Net migration rose by 31.0 per cent to 13,906 people, while natural population growth declined. The fertility rate was 1.0 child per woman in 2024, the lowest in the EU, and people aged 65+ represented 18.4 per cent of the population at the end of 2025. These trends have implications for future labour supply, healthcare, pensions and public expenditure.
- Social indicators nevertheless showed improvement in 2025. Average equivalised household income increased, income inequality declined, and the rate of risk of poverty or social exclusion fell, remaining below the EU average. Severe material and social deprivation and low work intensity also which is slightly lower when compared to the EA, where average income is €28,525.
- Malta's poverty rate stood at 19.4 per cent in 2025, corresponding to the average EU-27 rate which stood at 20.9 per cent in 2025.

International Trade and Balance of Payments

- Malta's trade balance improved during the first seven months of 2026. Exports increased by 14.7 per cent, while imports declined by 3.9 per cent, narrowing the trade deficit by 19.7 per cent compared with the same period in 2025. The improvement remained evident when volatile categories, including fuels, aircraft parts and ships, were excluded.
- The current account continued to record a surplus, supported by services exports, particularly tourism, financial services, transport and gaming. Malta's net international investment position remained robust at 78.6 per cent of GDP in 2025.
- However, the appreciation of Malta's real effective exchange rate indicated some deterioration in price competitiveness. Sustaining export growth will therefore depend on productivity, innovation, cost efficiency and the continued development of higher-value-added services and goods.

Monetary Developments & Public Finances

- Monetary developments reflected changing preferences among depositors and the effects of international financial conditions. Euro Area broad money increased by 2.6 per cent during the first seven months of 2026, supported mainly by overnight deposits. Credit expanded by 5.1 per cent, reaching €32.2 billion in July. Meanwhile, higher market interest rates affected Maltese Treasury Bill yields, illustrating the transmission of international monetary developments to domestic financing conditions.
- Public finances represent one of the most significant areas of concern. During the first nine months of 2026, recurrent revenue increased by €704.2 million, or 12.4 per cent, largely because of higher income tax and VAT receipts. Nevertheless, government expenditure grew more rapidly, increasing by €935.8 million, or 15.8 per cent, to €6.85 billion.
- Recurrent expenditure increased by 14.8 per cent, while capital expenditure rose by 26.7 per cent to €739.5 million.



- The first half of 2026 showed a general government deficit of €698.5 million, equivalent to 5.5 per cent of GDP generated during that period. General government debt reached €11.98 billion at the end of June 2026.
- These figures underline the importance of managing expenditure growth, prioritising investment and strengthening the efficiency of public spending. Revenue growth alone cannot guarantee fiscal sustainability if expenditure consistently increases faster.

Environmental transition and strategic priorities

- Malta continued to make progress towards a lower-carbon economy. Greenhouse gas emissions declined by 1.7 per cent in 2024 and stood 17.3 per cent below their 1990 level. However, the overall renewable energy share remained below the EU average, highlighting the need for continued progress in energy diversification and efficiency.
- Taken together, the economic situation shows strong growth, high employment, improving social indicators and a resilient services sector, but also mounting fiscal, demographic, environmental and competitiveness challenges.
- The central policy implication is to consolidate the gains already achieved while improving the quality and sustainability of growth. This means supporting productive investment, skills and innovation; maintaining household welfare; addressing demographic pressures; strengthening competitiveness; accelerating the environmental transition; and ensuring that expenditure commitments remain consistent with a credible medium-term fiscal path.

Summary of Fiscal and Financial Measures

The fiscal and financial measures introduced are summarised as follows:

- Retirement ages and social security contributions will remain unchanged.
- COLA for 2027 is €6.41 per week.
- The National Minimum Wage will increase by €10.41 per week, inclusive of COLA. Minimum wage earners will remain within the tax-free bracket.
- A Commission will be appointed to agree on the National Minimum Wage that should apply from 2028.
- As from 2027, a system will be introduced where certain social security contributions contributing to a pension may be transferred from one spouse to another.
- As from January 2027, retirement pensions, widow's pension and disability pensions will increase by €10 per week (inclusive of COLA).
- The annual tax-free pension income threshold will increase by €520 to €37,624.
- As from 2027, widows/widowers will receive the full pension of their deceased spouse.
- Additional COLA – eligible households will receive an additional payment ranging between €200 - €1,500 annually (depending on their disposable income and number of family members).
- As from 2027, the Carers Grant currently received by parents caring for children with disabilities will increase to €7,500 annually.
- The Carer at Home Scheme currently received by elderly who employ a full-time carer will increase to €9,800 annually.
- As from 2027, the reimbursement of expenses received by families adopting children from abroad will increase to €13,000.



- As from 2027, an additional 10 days of vacation leave will be granted to employed individuals who start fostering.
- The Supplementary Allowance for Orphans will be increased to €170 weekly and will be extended up to 25 years of age with respect to orphans who pursue tertiary education (subject to certain conditions).
- As from 1st January 2027, the Eco-contribution paid by individuals staying in collective accommodation (hotels) will increase to €8 per night capped to a maximum of €64 per individual. The Eco-contribution paid by individuals staying in short let accommodations (apartments) will increase to €10 per night capped to a maximum of €80 per individual.
- No Eco-contribution will be paid with respect to accommodation at English language schools.
- An Eco-contribution of €10 will be paid by cruise passengers disembarking and re-boarding the same cruise liner in Malta. This will not apply to passengers starting their cruise from Malta.
- An Eco-contribution of €5 will be paid by tourists visiting Comino.
- The fee for non-EU work-permit applications will increase to €800. An additional tariff of €400 will be introduced and paid by new applicants and individuals seeking to renew their work-permits (excluding minors).
- Free Public Transport will only be available to Maltese citizens, Gozo citizens, citizens resident in the EU and Long-term residents.
- Visitors with Driving Licences issued by Non-EU countries will remain valid for a period of twelve months from date of entry into Malta. Anyone obtaining a Maltese Residence Permit can drive with this licence for a period of twelve months from date of first entry into Malta. For persons who already obtained a residence permit, the date of entry into Malta would be the last entry day before 1st January 2027. After this date, one must have a Maltese or European driving licence. Persons with Residence Permit whose specific employment involves driving are exempt.
- An administrative fee of €83 per month will also be introduced for holders of B and B1 category licenses issued or renewed from that date. Citizens of the European Union and the European Economic Area, long-term residents, and their spouses are exempt. Citizens of the United Kingdom, Australia, and the United Arab Emirates, and anyone with a residence permit for specific work consisting of driving are also exempt. The license expires with the residence permit and isn't renewed if there is an outstanding payment.
- From 1st January 2027, the atypical cheque will only be given to Maltese and Gozo citizens, EU resident citizens, and Long-Term Residents.
- No changes in eligibility for free childcare for those already using the service and will remain free until their children are no longer eligible. From 2027, eligibility for this free service will be only for Maltese and Gozo citizens, EU resident citizens, and those who meet the criteria as Long-Term Residents.
- Fast ferry service and the Gozo ferry fees will increase by €3 per trip for tourists. The fees for non-residents of the Maltese Islands using the Gozo ferry will also increase as follows:



Passenger and Vehicle Category	Current Rate	Proposed Rate	Difference
Adult non-Resident	€4.65	€11.00	+ €6.35
Child non-Resident	€1.15	€7.00	+ €5.85
Vehicle + driver	€15.70	€22.00	+ €6.30
Vehicle + Driver + Adult Passenger	€20.35	€33.00	+ €12.65
Vehicle + Driver + Adult Passenger + Child	€21.50	€40.00	€18.50

- The corporate tax rate for companies with a turnover of less than €1m will be 25% instead of 35%. This reduction will apply to profits that are retained or reinvested. Whenever profits are distributed as dividends, the 35% rate will still apply and topped up accordingly.
- A person applying the married tax rates and with one child will benefit from a maximum reduction of €1,450 in 2027 and €2,175 in 2028. The married tax rates apply when only one spouse is working, and the other spouse is either not working or is in receipt of low income. The tax rates will be as follows:

2027			2028		
Income (€)	Rate	Deduct (€)	Income (€)	Rate	Deduct (€)
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

- A person applying parent tax rates and with one child will benefit from a maximum reduction of €1,150 in 2027 and €1,800 in 2028. The parent tax rates apply when both spouses are in employment or self-employed. The tax rates will be as follows:



2027			2028		
Income (€)	Rate	Deduct (€)	Income (€)	Rate	Deduct (€)
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

- A person applying married tax rates and with two or more children will benefit from a maximum reduction of €4,050 in 2027 and €6,000 in 2028. The tax rates will be as follows:

2027			2028		
Income (€)	Rate	Deduct (€)	Income (€)	Rate	Deduct (€)
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

- A person applying parent tax rates and with two or more children will benefit from a maximum reduction of €3,250 in 2027 and €5,000 in 2028. The tax rates will be as follows:

2027			2028		
Income (€)	Rate	Deduct (€)	Income (€)	Rate	Deduct (€)
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

- A Super bonus of €1,000 (exempt from tax) will be received by all persons who during 2025 earned a minimum income of €12,000 or more and will be pro-rated for persons earning less. This will be paid to self-employed individuals, pensioners who continued working and part-time workers. This will be pro-rated as follows:



Income	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

- A project aimed at reforming tax return filings for married couples. This shall aim to make separate returns for each spouse's own income and tax affairs the general rule. Joint filing will remain available, where permitted by law.
- Targeted measures will be introduced for property transactions involving transfer of air space, requiring fuller disclosure of the total agreed consideration and more detailed valuation and verification procedures. This ascertains that the transaction's economic substance is reflected. The measures are intended to address arrangements involving intermediaries or developers who are not disclosed in the transfer deed.
- A new mechanism will be introduced for VAT charged within the construction industry (tax in danger scheme) to curb possible abuses. This mechanism will shift the responsibility of accounting for VAT from the supplier to the customer, meaning that, the customer shall calculate and declare the VAT due on the purchase and, if legally possible, will be able to deduct it.
- A revised administrative penalty regime shall be introduced to ensure that the correct fiscal receipts and VAT invoices are issued by suppliers. The penalties are set to be €100 for a first default, €200 for a second default and €400 for a third default, increasing to €500 for a fourth and each subsequent default within a 24-month period. If penalties are paid within 30 days from their issue, the liability related to it will be extinguished.
- Guidelines are to be issued to clarify the VAT exemption related to food. These are aimed to provide greater certainty to the application of this exemption for food suppliers, particularly suppliers that sell ready-to-consume food such as supermarkets, convenience shops and mini markets.
- Malta Enterprise is extending financial incentives to support business digitalization, automation, high-value investments, and the expansion of both existing industries and new niche markets.
- Revision of incentives granted to airline companies to attract more tourism during the so-called shoulder and winter months.
- All existing incentive schemes, such as those related to the purchase of electric vehicles amongst others, will be extended for a further year.
- Elite athletes representing Malta in international competitions will benefit from 10 days of paid sports leave. This shall also apply to the technical and medical teams.



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The above information is being provided as a general guide only and should not be considered as a substitute for professional advice.

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