



Malta Budget 2027

KEY HIGHLIGHTS

INTRODUCTION

Malta's Budget 2027 was presented in Parliament by the Minister for Finance, Mr. Clyde Caruana, on 26 October 2026. It is the first budget of the new legislature.

Energy and fuel prices are to be kept at current levels, the second phase of the family tax changes announced in Budget 2026 takes effect, and the Super Bonus is to be paid in early 2027.

Income tax rates, the VAT rate and social security contribution rates are unchanged, as is the retirement age.

New revenue measures are directed mainly at visitors and third-country nationals. The Budget also introduces fiscal measures intended to encourage productivity, technology and higher value-added activity, including a reduced tax rate for small companies that reinvest their profits.

BUDGET 2027 AT A GLANCE

25%

Small company tax rate

On retained or reinvested profits, for turnover up to €1 million

€1,000

Super Bonus

Tax-free, paid in the first quarter of 2027

€30,000

Tax-free band per parent

By 2028, for working parents with two or more children

+€10/wk

Pension increase

For all pensioners from January, including COLA

€6.41/wk

Cost of living adjustment

Announced for 2027

€8–10/night

Eco-contribution

Hotels and short lets, from 1 January 2027

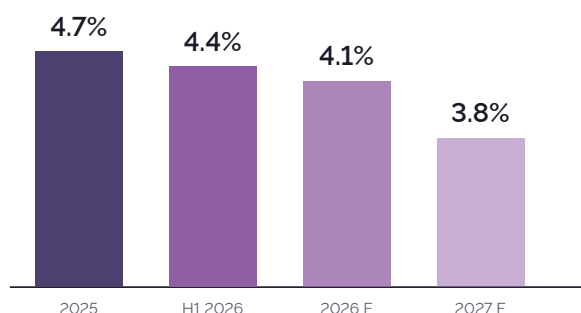
WHAT HAS NOT CHANGED

Income tax rates, the VAT rate and social security contribution rates are unchanged, as is the retirement age. Electricity, gas and fuel prices are to be kept at current levels, and existing government schemes are to be renewed for 2027.

Economy and public finances

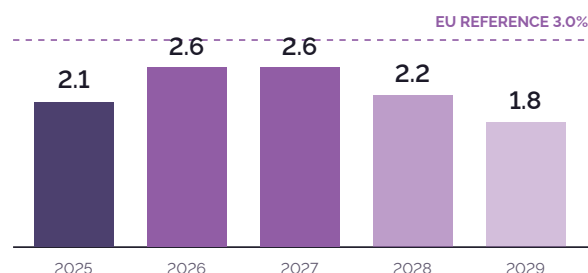
The main economic and fiscal figures presented in the Budget. Growth is attributed to household consumption, investment, tourism, services and exports of electronic products.

Real GDP growth



EU average growth in the first half of 2026: 1.2%. F = forecast.

General government deficit, % of GDP



2025 actual; 2026 revised; 2027–2029 estimates.

2.7%

Inflation 2027 F

2.4% in September 2026, against 3.8% in the euro area

3.2%

Unemployment 2027 F

3.3% forecast for 2026

46.8%

Public debt 2027

46.7% of GDP in 2026; EU reference value 60%

€10.1bn

Revenue 2027

Of which €9.0 billion from taxes

Fiscal outlook

Malta exited the EU excessive deficit procedure in June 2026. Recurrent expenditure for 2027 is projected at €9.4 billion and capital expenditure at almost €1.5 billion, including around €390 million in EU funds.

ENERGY SUBSIDIES

€400m

budgeted for 2027, after around €392 million in 2026. That is roughly 1.4% of GDP, or about half of the projected deficit.

Tax measures

SMALL COMPANIES

35%

25%

Tax rate on retained or reinvested profits, for companies with a turnover not exceeding €1 million.

Illustration: on €50,000 of retained taxable profit, tax falls from €17,500 to €12,500.

€5,000 saved

Reduced 25% rate for small companies

A new framework will allow **companies with a turnover not exceeding €1 million** to benefit from a **25% tax rate instead of the standard 35%**. The reduced rate applies only to **profits that are retained or reinvested** in the business. Where profits are distributed as dividends, the 35% rate continues to apply.

The measure is intended to ease the tax burden on smaller companies, strengthen their competitiveness and support young entrepreneurs, including those using the Youth-Led Start-Up Support Scheme. It will operate subject to conditions and limitations set out in the relevant rules.

The effective date, and how a later distribution of profits taxed at 25% will be treated under the imputation system, have not yet been announced.

WHY IT MATTERS

Owner-managed companies that reinvest rather than distribute could see a meaningful reduction in tax leakage. Directors should await the detailed rules before changing dividend policies, particularly where shareholder refunds are currently claimed.

Super Bonus

A **tax-free Super Bonus** will be paid in the **first quarter of 2027** to those who were working in 2025. Persons whose employment income in 2025 was **€12,000 or more** will receive **€1,000**, with smaller amounts on a sliding scale for lower earners.

The bonus is also payable to the self-employed, pensioners who continue to work and part-time workers.

INCOME IN 2025

SUPER BONUS

€12,000 and over	€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

Family tax computations: year two of three

The Budget confirms the second phase of the family tax cuts announced in Budget 2026, worth over €160 million across three years and benefitting around 68,000 parents. The zero-tax band widens again in 2027 and 2028. By 2028, two working parents with two or more children, each earning €30,000, will pay no income tax, and a couple each earning €42,000 will save around €10,000 between them.

FAMILIES WITH ONE CHILD

Married computation · one child

Usually where one spouse works or the other's income is small

MAX. SAVING
€1,450 2027 · €2,175 2028

2027			2028		
CHARGEABLE INCOME	RATE	SUBTRACT	CHARGEABLE 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 and over	35%	€12,000	€60,001 and over	35%	€12,725

Parent computation · one child

Both parents working · per parent

MAX. SAVING
€1,150 2027 · €1,800 2028

2027			2028		
CHARGEABLE INCOME	RATE	SUBTRACT	CHARGEABLE 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 and over	35%	€10,850	€60,001 and over	35%	€11,500

Family tax computations: year two of three

FAMILIES WITH TWO OR MORE CHILDREN

Married computation · two or more children

Usually where one spouse works or the other's income is small

MAX. SAVING

€4,050 2027 · €6,000 2028

2027

CHARGEABLE INCOME	RATE	SUBTRACT
€0 – €30,000	0%	€0
€30,001 – €41,000	15%	€4,500
€41,001 – €60,000	25%	€8,600
€60,001 and over	35%	€14,600

2028

CHARGEABLE INCOME	RATE	SUBTRACT
€0 – €37,000	0%	€0
€37,001 – €50,000	15%	€5,550
€50,001 – €60,000	25%	€10,550
€60,001 and over	35%	€16,550

Parent computation · two or more children

Both parents working · per parent

MAX. SAVING

€3,250 2027 · €5,000 2028

2027

CHARGEABLE INCOME	RATE	SUBTRACT
€0 – €24,000	0%	€0
€24,001 – €33,500	15%	€3,600
€33,501 – €60,000	25%	€6,950
€60,001 and over	35%	€12,950

2028

CHARGEABLE INCOME	RATE	SUBTRACT
€0 – €30,000	0%	€0
€30,001 – €42,000	15%	€4,500
€42,001 – €60,000	25%	€8,700
€60,001 and over	35%	€14,700

Maximum annual tax saving

COMPUTATION	2026	2027	2028
Married · one child	€725	€1,450	€2,175
Parent · one child (each)	€575	€1,150	€1,800
Married · two or more	€2,025	€4,050	€6,000
Parent · two or more (each)	€1,625	€3,250	€5,000

WHY IT MATTERS

Families relocating to Malta with children, as well as Maltese households, should reassess which computation applies to them as the bands continue to widen.

PENSIONERS

€37,624

Tax-free threshold on pension income, up by €520 a year.

MINIMUM WAGE

+€10.41/wk

Increase in 2027 including COLA. Minimum wage earners remain outside the income tax net.

MARRIED COUPLES

Separate tax returns

A reform project under which each spouse would generally file an individual return, with a joint return available by election. No timeline given.

Transfers of airspace

The Budget refers to arrangements involving the sale of airspace that may result in tax being calculated on only part of the real value of a finished property. Targeted measures will require **fuller disclosure of the total consideration** agreed for such developments, strengthen valuation and verification procedures, and ensure transactions are **taxed according to their economic substance**, including structures involving intermediaries or developers who do not appear on the deed. Following consultation, the framework will apply **prospectively**.

WHY IT MATTERS

Buyers, developers and sellers of airspace should expect greater scrutiny of how consideration is split between the airspace and subsequent works, and should document arrangements carefully going forward.

VAT measures

New VAT mechanism in construction

For covered construction transactions, the **obligation to account for VAT shifts from the supplier to the business customer**, which self-accounts for the VAT and may deduct it where eligible (a reverse charge-type mechanism). The stated aim is to remove the risk of suppliers collecting VAT without paying it over, and to curb refund claims based on fictitious invoices. The scope of covered transactions and the start date have not yet been announced.

VAT exemption on food

Guidelines will clarify how the exemption applies to **ready-to-eat food** sold by supermarkets, minimarkets and convenience shops that compete with restaurants. Retailers selling prepared food should review their VAT treatment once published.

Administrative penalties: invoices and fiscal receipts

Failures to issue correct VAT invoices and fiscal receipts will be dealt with through administrative penalties rather than criminal proceedings in the first instance.



Breaches counted within a 24-month period.

Paying within **30 days** extinguishes criminal liability for the breach. Breaches also feed into the Malta Tax and Customs Administration's risk scoring, increasing the likelihood of an audit, inspection or investigation.

Visitors, tourism and third-country nationals

New charges and eligibility changes affecting tourists, cruise passengers and third-country nationals.

Eco-contribution

€8/night

Collective accommodation
Capped at €64 per person

€10/night

Short lets
Capped at €80 per person

€10

Cruise passengers
Who disembark and re-embark the same ship in Malta

€5

Comino
Added to the Blue Lagoon booking system

The new rates apply **from 1 January 2027** to persons aged over 18 and are expected to raise around €182 million. Accommodation for English language school students will no longer be subject to the eco-contribution, and passengers starting their cruise from Malta are not charged.

Work permits

- The fee for a **new work permit application** rises from €600 to **€800** per person.
- A new **annual infrastructure contribution of €400** applies to new applications and renewals (minors under 18 excluded).
- Fees for many other permits issued by Identità will be revised upwards. Expected revenue: around €80 million.

Eligibility for free services

From January 2027, the following are limited to **Maltese nationals, resident EU citizens and long-term residents**:

- Free public transport
- The cheque for atypical workers
- Free childcare (current users are unaffected until their children are no longer eligible)

Driving licences

- Holders of a **non-EU driving licence** may drive in Malta for up to **12 months from entry**. For residence permit holders the period does not restart on leaving and re-entering; existing permit holders count from their last entry before 1 January 2027. After that, a Maltese or EU licence is required.
- A new **administrative fee of €83 per month** applies to category B and B1 licences issued or renewed from 1 January 2027. The licence expires with the residence permit and is not renewed while fees are outstanding.

EXEMPT FROM THE €83 FEE

EU/EEA citizens · long-term residents and their spouses · nationals of the **UK, Australia and the UAE** · residence permit holders employed specifically as drivers

Together, the eligibility and driving licence measures are expected to generate around €46 million a year in savings or new revenue.

Gozo Channel and fast ferries

Fast ferry fares for tourists rise by €3 per trip, and Gozo Channel fares for **non-residents** are revised as follows. Expected revenue: around €13 million.

NON-RESIDENTS	CURRENT	PROPOSED
Adult	€4.65	€11.00
Child	€1.15	€7.00
Vehicle + driver	€15.70	€22.00
Vehicle + driver + adult	€20.35	€33.00
Vehicle + driver + adult + child	€21.50	€40.00

Recreational boats

Annual registration fees for vessels between **10 and 24 metres** increase by length, offsetting part of the fuel subsidy they benefit from. Professional fishers and vessels under 10 metres are excluded. Expected revenue: around €3 million.

LENGTH	ADDITIONAL ANNUAL FEE
10m – under 12m	€300
12m – under 15m	€350
15m – under 18m	€650
18m – under 21m	€1,800
21m – under 24m	€2,600

The same rates apply across vessel categories; no fee is shown for commercial yachts of 10m to under 12m.

WHY IT MATTERS

Individuals relocating to Malta from outside the EU should factor in the new driving licence rules and fees, and the loss of access to free public transport and childcare until long-term residence is obtained. Employers of third-country nationals face materially higher annual permit costs. UK nationals are exempt from the new driving licence fee, but the 12-month limit on driving with a non-EU licence still applies.



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Pensions, families and social benefits

The retirement age and social security contribution rates remain unchanged.

Pensions

- **All pensioners:** +€10 per week from January (including COLA) for retirement, invalidity, widows' and age pensions.
- **Uniform COLA bonus:** every pensioner receives the same fixed €21.53 per week in 2027, regardless of retirement year.
- **Widows and widowers:** over 7,000 receive a further increase, so that all are now entitled to the full two-thirds pension.
- **Born before 1962:** maximum pensionable income rises to €28,000, benefitting around 15,000 pensioners.
- **Transfer of contributions between spouses** from 2027, from a spouse with a pension to one without, benefitting around 3,200 married women. Parameters to follow.
- **Service pensioners:** the disregarded portion rises by €300 a year (previously €200); from age 72 the full commuted amount is disregarded.
- **Former disciplined forces members** without a social security pension: bonus up by €520 a year.
- **Persons with disability on a contributory pension:** retained portion of previous disability benefit rises from 10% to 20%, with a stated target of 50%.
- **Insufficient contributions for a pension:** bonus up by €333.32 a year, to between €933 and €1,383.

Families and children

- **Additional COLA mechanism:** €200 to €1,500 a year for over 100,000 low and middle-income households.
- **Post-secondary education:** €500 per child for around 14,000 families, in the first half of 2027.
- **Carers Grant:** rises to €7,500 a year; parents working part-time up to 20 hours a week receive half the net minimum wage rate.
- **Carer at Home:** up €800 to €9,800 a year.
- **Foreign adoption refund:** up €1,000 to €13,000, with a stated target of €15,000.
- **Foster parents:** 10 additional days of government-funded leave on starting to foster.
- **Aftercare:** support from 17 to 21 for young people leaving care.
- **Orphans' Supplementary Allowance:** extended to age 25 for those in tertiary education, at €170 a week.
- **Therapies** for children with disability under 18 fully covered.
- **Social security credits** of up to two years for absence due to mental health issues or domestic violence.
- **Assistance rates:** Increased Severe Disability Assistance up €9.37 a week; other disability, carers' and social assistance up €6.41 a week.

€121m+

Social package

New measures announced for 2027

€21.53/wk

Uniform COLA bonus

The same for every pensioner

€7,500

Carers Grant

For parents unable to work due to a child's severe disability

7,000

Married women

Receiving a pension for the first time since 2021, including 3,200 from 2027

Health, business, energy and infrastructure

BUSINESS AND THE ECONOMY

- Malta Enterprise continues to support digitalisation, automation and higher value-added investment, with incentives to attract new niches.
- Continued work on the framework for **family offices, crypto, fintech and aircraft leasing**.
- Airline incentives reviewed to target shoulder and winter months and higher-quality markets.
- Talks under way with potential strategic partners for **KM Malta Airlines**.
- **All existing government schemes** renewed for 2027.

ENERGY

- Electricity, gas and fuel prices to be kept at current levels.
- Around €75 million in electricity distribution in 2027. The second interconnector with Sicily will double capacity; studies continue on a third interconnector, a 132kV Malta–Gozo link and a 300MW offshore wind farm.
- Investment in battery storage towards a 25% renewables target by 2030 (18.8% in 2025).

HEALTH

- **Mater Dei:** Emergency Department extension doubling capacity from 35 to 70 treatment spaces, a new 135-bed mental health unit and a new Medical Imaging building.
- **Gozo General Hospital:** nine additional outpatient clinics, a minor procedures room, expanded theatres and a women's health space.
- **Treatment abroad:** government will also cover a person accompanying an adult patient.

INFRASTRUCTURE

- Msida Creek, the Pinto 4 and 5 and Lascaris extensions, and the Birżebbuġa slipway and berm.
- Shore-to-ship supply in the Grand Harbour, planned for completion by end-2028.

EDUCATION, SPORT AND CULTURE

- **Elite athletes** at European or world championships receive 10 days' paid sports leave, extended to accompanying technical and medical staff.
- Continued investment in education and cultural heritage.

ENVIRONMENT, AGRICULTURE AND FISHERIES

Additional funding for the upkeep and regeneration of recreational spaces, and continued financial and technical support for farmers, fishers and breeders.

How Taxentra can help you navigate Budget 2027

Budget 2027 brings significant changes for families, small companies, VAT-registered businesses and individuals relocating to Malta. We help you understand how these measures affect you, from the new family tax computations and the reduced corporate tax rate to the VAT and compliance changes.

CONTACT US

www.taxentra.com

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