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2027
Budget Highlights



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Economic Outlook

Malta’s economic outlook remains positive, with the economy expected to continue growing steadily over the medium term. Real GDP growth is forecast to reach 4.1% in 2026 and 3.8% in 2027, outperforming the projected European Union average growth rate of 1.2%.

This reflects the resilience and diversification of Malta’s economy, supported by strong domestic demand, continued growth in key service sectors, sustained investment activity, and favourable labour market conditions.

The labour market remains a pillar of economic stability. According to the latest figures published by Eurostat, the EU unemployment rate stood at 6.1%, while the euro area unemployment rate reached 6.4% in August 2026. By comparison, Malta's unemployment rate stood at 3.4%, making it one of the lowest unemployment rates among EU Member States.

From a fiscal perspective, public finances are expected to remain broadly stable. The fiscal deficit is projected to increase to 2.6% of GDP in 2026, compared with 2.1% in the previous year, reflecting continued expenditure commitments and government measures aimed at supporting economic growth, public investment, and social priorities. While the deficit is expected to widen, it is forecast to remain within the parameters established under the European Union's fiscal framework.

Government debt is projected to remain at sustainable levels, reaching 46.7% of GDP in 2026 and 46.8% of GDP in 2027. The overall debt ratio is forecast to remain moderate, supporting Malta's strong fiscal position and preserving the flexibility needed to address future economic challenges and finance long-term investment and development objectives.

Inflation is expected to remain moderate over the forecast period, averaging 2.5% in 2026 and 2.7% in 2027. Although global economic developments, energy market volatility, supply chain pressures and broader geopolitical uncertainties may continue to affect prices, inflation is projected to remain contained, supporting economic stability.

Overall, Malta’s economic outlook remains positive, supported by economic growth, resilient labour market conditions, and moderate inflation. Responsible fiscal management will remain important to address the projected widening of the fiscal deficit, preserve fiscal sustainability, and maintain resilience against potential external economic shocks.

Budget 2027 Highlights

Key Measures

Energy Subsidies

Energy support measures will be maintained to mitigate the impact of higher energy costs and support continued price stability for electricity and fuels.

Cost-of-Living Adjustment (COLA)

The Cost-of-Living Adjustment (COLA) has been set to increase by €6.41 per week.

National Minimum Wage

The national minimum wage has been set to increase by €10.41 per week, inclusive of COLA, while remaining exempt from income tax.

Carers of Children with Severe Disability

Support for carers of children with severe disabilities will be strengthened through an increase in the annual grant to €7,500.

Carer at Home Scheme

Assistance under the Carer at Home Scheme will increase to €9,800 per annum, providing additional support to individuals caring for dependents at home.

Child Adoption

Financial assistance for families adopting a child from abroad will increase to €13,000.

Foster Care Support

Working foster parents will benefit from an additional 10 days of annual leave, further supporting foster care arrangements.

Disability Therapy Services

Children under the age of 18 will be entitled to free disability therapy services, improving access to essential care and support.

Social Security Contribution Transfers

Introduction of social security contribution transfers between spouses to facilitate pension eligibility whereby spouses will be permitted to transfer social security contributions between them where one spouse has insufficient contributions to qualify for a pension.

Pensions

Pensions set to increase by €10 weekly from January 2027, inclusive of COLA.

Pensionable Income Threshold

Increase in the maximum pensionable income threshold for persons born before 1962 to €28,000.

Tax-Exempt Pension Income

Tax-exempt pension income threshold increased by €520, covering annual pension income of up to €37,624.

Widows & Widowers Pensions

Extension of full pension entitlements to eligible widows and widowers whereby they will be entitled to receive the full pension entitlement that their deceased spouse would have been eligible to receive.

Support for Limited Contribution Records

Enhanced financial support for individuals with insufficient social security contributions through an increase of €333.32 in the annual bonus payment, raising the total annual benefit to between €933 and €1,383.

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Key Measures

Families with Children Tax Relief

Income tax reductions for families with children introduced in previous budgets will continue through further increases in the 0% income tax bracket thresholds. The revised thresholds are as follows:

- Families with one child applying the married rates of taxation will benefit from an increase in the 0% income tax bracket threshold to €20,000 in 2027 and €22,500 in 2028.
- Families with two or more children applying the married rates of taxation will benefit from an increase in the 0% income tax bracket threshold to €30,000 in 2027 and €37,000 in 2028.
- Qualifying parents with one child applying the parent rates will benefit from an increase in the 0% income tax bracket threshold to €16,000 in 2027 and €18,000 in 2028.
- Qualifying parents with two or more children applying the parent rates will benefit from an increase in the 0% income tax bracket threshold to €24,000 in 2027 and €30,000 in 2028.

Super Bonus

Eligible workers will receive a €1,000 Super Bonus in the first quarter of 2027, based on their 2025 income. Individuals earning less than €12,000 during 2025 will receive a pro-rata payment. The measure will also apply to self-employed individuals, working pensioners and part-time workers.

Reduced Corporate Tax Rate

A reduced 25% corporate tax rate will apply to retained earnings of companies with an annual turnover of up to €1 million. Profits distributed as dividends will continue to be subject to tax at 35%.

Taxation of Airspace Transfers

New measures will be introduced to ensure that transfers of airspace are taxed fairly, including enhanced disclosure requirements for the total consideration agreed in respect of future property developments, stronger valuations and checks.

VAT Treatment of Food Supplies

Guidelines will be issued to clarify the VAT exemption applicable to food, particularly ready-to-eat products sold by supermarkets, convenience stores and restaurants, with the aim of promoting greater consistency and fairness across the sector.

VAT Reverse Charge for Construction

A domestic VAT reverse charge mechanism is expected to be introduced for the construction industry, whereby the obligation to account for and remit VAT to the Malta Tax & Customs Administration will transfer from the supplier to the purchaser. This represents an extension of the current VAT-at-Risk provisions.

Administrative Penalties for Non-Compliance

Administrative penalties will replace criminal proceedings for businesses that fail to issue correct invoices or receipts.

Revised Eco-Contribution Rates

From 1 January 2027, the following eco-contribution rates will apply:

- €8 per night for hotel stays, capped at €64 per person.
- €10 per night for short-let accommodation, capped at €80 per person.
- €5 fee for visitors to Comino.
- €10 fee for cruise passengers visiting Malta, excluding passengers embarking from Malta.

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Key Measures

Atypical In-Work Benefit

From 1 January 2027, the Atypical In-Work Benefit for employees working atypical hours will be restricted to Maltese and Gozitan citizens, EU citizens, and individuals holding long-term resident status.

Malta Enterprise Support Scheme

Several existing Malta Enterprise schemes will be renewed for 2027.

Free Public Transport Eligibility

Free public transport will be restricted to Maltese and Gozitan citizens, EU citizens residing in Malta, and holders of a long-term residence permit.

Free Childcare Eligibility

From 2027, eligibility for the free childcare scheme will be restricted to Maltese and Gozitan citizens, EU citizens residing in Malta, and holders of a long-term residence permit. No changes will apply to children currently enrolled under the existing system.

Administrative Fee for Driving Licences

A new monthly administrative fee of €83 will apply to Category B and B1 driving licences issued or renewed on or after 1 January 2027. This fee will not apply to EU and EEA citizens, long-term residents, or citizens of the UK, Australia, and the UAE.

Ferry Fare Structure

Higher fares will apply to non-residents and tourists using fast ferry services and the Gozo Channel ferry.

Work Permit Fees

Work permit fees for non-EU nationals will increase, together with the introduction of an annual infrastructure contribution applicable to both new applications and permit renewals.

Registration Fees for Recreational Vessels

Annual registration fees for recreational vessels measuring between **10 and 24 metres** will be revised to partially offset the benefit of subsidised fuel, with charges varying by vessel length. Professional fishermen and vessels under **10 metres** will remain exempt, while vessels exceeding **24 metres** will continue to be ineligible for subsidised fuel.

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