



BDO Malta

Malta Budget 2026: Key Highlights

Economic Highlights

1.1 Economic Outlook

On the 27th of October 2025, Finance Minister Clyde Caruana presented the budget measures for 2026. The Minister highlighted the continued strength of Malta's economy, emphasizing its resilience despite global international difficulties. He noted that the jurisdiction recorded the highest economic growth within the European Union, with the real GDP having increased by 3.1% in the first half of 2025. This increase was mainly due to the increase in domestic spending and an increase in providing overseas services. The main drivers of this economic expansion were the digital and communication services sectors, which registered significant growth rates of 7.4% and 10.3%, respectively. Significant growth was also evident in the tourism sector, with an increase of 12.9%.

Projections indicate that the Maltese economy will expand by 4.1% in real terms during 2025, which represents a growth rate three times higher than that anticipated for the EU. Employment rate is expected to stabilise, and salaries should continue to increase, while the inflation rate should stabilise at 2.2%. The cost-of-living adjustment (COLA) for 2026 will be of €4.66 a week.

The deficit is expected to decrease to 3.3% by the end of the year, an improvement over the 3.5% projected by the Minister a year ago. It is further forecasted to decline to 2.8% next year. By the end of the year, Malta's debt-to-GDP ratio is projected to reach 47.1%, which is expected to continue decreasing to the pre-pandemic levels in the coming years.



Social Measures

2.1 Revisions to the Married and Parent Tax Computations

The Minister announced a material decrease in personal taxes to be paid by families with children. The decrease is expected to cost Euro 160 million. This will be done through the introduction of two new tax brackets for married couples and parents with one child, and married couples and parents with two or more children.

Families with one child

Under the Married Rates computation, families currently become liable to income tax when their combined income exceeds €15,000. The tax-free threshold will be progressively increased to €17,500 in 2026, €20,000 in 2027, and €22,500 in 2028.

New tax bands for the married rates (with one child)

Tax Rate	2026 (Income Bracket)	2027 (Income Bracket)	2028 (Income Bracket)
0%	€0 - €17,500	€0 - €20,000	€0 - €22,500
15%	€17,501 - €26,500	€20,001 - €30,000	€22,501 - €33,500
25%	€26,501 - €60,000	€30,001 - €60,000	€33,501 - €60,000
35%	€60,001+	€60,001+	€60,001+

Currently, individuals assessed under the Parent Rates computation do not incur tax liability until their income exceeds €13,000. The tax-free threshold for these individuals will rise to €14,500 in 2026, €16,000 in 2027, and €18,000 in 2028.

New tax bands for parent rates (with one child)

Tax Rate	2026 (Income Bracket)	2027 (Income Bracket)	2028 (Income Bracket)
0%	€0 - €14,500	€0 - €16,000	€0 - €18,000
15%	€14,501 - €21,000	€16,001 - €24,500	€18,001 - €28,000
25%	€21,001 - €60,000	€24,501 - €60,000	€28,001 - €60,000
35%	€60,001+	€60,001+	€60,001+

Families with two or more children

For families assessed under the Married Rates and having two or more dependent children, the tax-free threshold will increase significantly to €22,500 in 2026, €30,000 in 2027, and €37,000 in 2028.

New tax bands for the married rates (with two or more children)

Tax Rate	2026 (Income Bracket)	2027 (Income Bracket)	2028 (Income Bracket)
0%	€0 - €22,500	€0 - €30,000	€0 - €37,000
15%	€22,501 - €32,000	€30,001 - €41,000	€37,001 - €50,000
25%	€32,001 - €60,000	€41,001 - €60,000	€50,001 - €60,000
35%	€60,001+	€60,001+	€60,001+

Similarly, for individuals assessed under the Parent Rates with two or more children, the tax-free threshold will rise to €18,500 in 2026, €24,000 in 2027, and €30,000 in 2028. As a result, by 2028, dual-income parents each earning up to €30,000 and raising two or more children will be fully exempt from income tax.

New tax bands for parent rates (with two or more children)

Tax Rate	2026 (Income Bracket)	2027 (Income Bracket)	2028 (Income Bracket)
0%	€0 - €18,500	€0 - €24,000	€0 - €30,000
15%	€18,501 - €25,500	€24,001 - €33,500	€30,001 - €42,000
25%	€25,501 - €60,000	€33,501 - €60,000	€42,001 - €60,000
35%	€60,001+	€60,001+	€60,001+

Social Measures (Cont.)

2.2 Pensions and Allowances

These are some of the social measures extended or increased in this year's budget

Social Benefit	Proposed increase (weekly)	Proposed increase (yearly)
Retirement, Invalidity, Pension	€10	€520
Widow Pension	€13.50	€702
Children's Allowance (*)	€10	€520
Supplementary Allowance (**)	€1.58 (single persons); €2.50 (married couples)	€82.16 (single persons); €130 (married couples)
65+ Annual Supplement (***)	n/a	€100
Commuted Service Pension	n/a	€200
Bonus for retired non-pensioners	n/a	€50 - €1,050
Child Birth and Adoption Bonus		€500
Fostering Allowance	€10	€520
Parents of Post-Secondary Students		€500
Deduction for people supporting elderly in care homes		Increased to €4,500
Social Security Contribution credits		Increased from 6 years to 10 years

* Applies to widowed parents, extended to apply until the children reach the age of 23.

** Maximum annual income of couple increased to €20,000, maximum annual income of single person increased to €14,000.

*** Payable to both spouses (rather than one of).





Social Measures (Cont.)

Pensions, including bonuses, at the equivalent of the maximum pension, will not trigger tax, as in the past. Pensioners whose income exceeds this amount will also be exempt from tax, up to double the equivalent of the maximum pension.

Employed individuals whose age is between 59 and 64, with pending social security contributions, may rectify their payments for up to 5 years.

2.3 Work-Life Balance

Introduction of Neonatal Care Leave subsidised by the Government to support employees whose children require intensive care immediately after birth.

Self-employed individuals to benefit from an 8-week parental leave, as well as bereavement leave and miscarriage leave, similar to an employed individual.

Social Measures (Cont.)

2.4 Educational Measures

Increase in stipends and other benefits for students

A key measure announced for the education sector is a 15% increase in stipends. The increase represents an investment of €6 million designed to alleviate financial pressure on students.

A monthly cash allowance of €280 will be granted to Gozitan students studying in Malta, representing an increase of approximately 70% on the current assistance.



Property Measures

3. Property Schemes and other related measures

- First-time buyers scheme extended such that individuals buying their first property benefit from a yearly grant of €1,000, for a period of 10 years.
- The government plans to enshrine the First-Time Buyers incentive, launched in 2013, into law, thereby making it a permanent measure. In addition, they plan to change conditions to allow under the scheme buyers who already acquired non-residential property.
- Scheme covering 10% of the deposit required on home loans has been increased from €225,000 to €250,000.
- Extension of equity sharing scheme to introduce persons aged 25.
- Individuals inheriting residential property in which they already reside are subject to duty at the beneficial rate of 3.5% on the first €200,000. This will increase to €400,000.
- An extension of the “Ixtri Proprjetà Sostennibli 2025” and “Irrinova Darek” schemes have been announced, aimed at incentivising property owners to meet specific sustainability standards.



Business Measures

4.1 Achievements and Future Plans for the Maritime and Aviation Sectors

The Minister for Finance emphasised on the continued importance of the maritime (shipping) sector to the Maltese economy, announcing the government's intention to further elevate the standards of the Maltese flag. The sector experienced significant growth, recording a high number of registered vessels in 2025, which confirmed Malta as the sixth-largest flag worldwide and the largest in Europe. Furthermore, the country maintained its status as the world's largest superyacht registry, successfully building a reputation as the foremost jurisdiction for superyachts.

Regarding the aviation sector, the government confirmed that during 2026, work will proceed to expand the aircraft registry, which currently accounts for 930 registered aircraft.

Together with assistance from the aviation industry and other associations the government created courses to help Maltese gain the necessary skills required in the aviation industry.

4.2 Aid for Family Business

The Government will extend the reduced rate of 1.5% stamp duty on the inter vivos transfer of a family business to descendants.

Other schemes to family businesses such as consultancy grants, training vouchers and digitalisation aids will be extended.

4.3 Business Development Scheme

Another key feature is the extension of business development grants, notably the Business Development Scheme.





Business Measures (Cont.)

4.4 Fiscal Measures

- Introduction of an accelerated amortisation over two years on investments that relate to AI, digitalisation and automation, amongst others.
- 175% deduction on eligible research and development expenses.
- Widening of the Micro Invest Scheme to include digital solution investments. Increase in the eligibility from 45% to 65% of the eligible expenditure.
- Micro Invest maximum aid to increase to €65,000 and €80,000 for Gozitans.
- Micro Invest Scheme to cover 65% of the increase in wages for employees who have been with the same company for more than 4 years, up to a maximum of €780 per year, for 2 years. Benefit increases to 80% for Gozitan companies, with a maximum of €960 per year.
- Tax credits of 60% will be available for new investments made in the next two years aimed at increasing value and productivity. These credits will be distributed over a period of four years.
- An increase in the eco-contribution tax from €0.50 to €1.50 per person per night has been announced. This tax applies to tourists for each night of their stay in Malta.

Environmental Measures

5.1 Incentives for Clean Transport

A new initiative will be introduced creating a scheme targeting young drivers. Individuals up to 30 years of age will be eligible to surrender their driving licence in exchange for a substantial grant of €5,000 per year for a period of five years.

Furthermore, the government is committed to maintaining existing environmental incentives with respect to electric vehicles and scrapping schemes. New grants are also set to be introduced for those purchasing motorbikes. As part of the effort to encourage a shift from cars to two-wheeled transport, a grant of €1,500 per year will be available to individuals who surrender their car licence and opt to use a motorbike instead.

5.2 Other Environmental Measures

The government announced a new Framework Agreement, valued €13.5 million and covering a period of several years, falling under the responsibility of the Department for Public Works. The funds will be allocated to a diverse range of projects, including the creation of more public, open, and sustainable spaces, the completion of pedestrian zones and pavements, the improvement of roads for users, the establishment of centres for local community needs, and other essential local initiatives.





Culture Measures

6. Entertainment Industry

The Minister outlined the continued growth in the film sector. The Malta Film Commission has managed to successfully turn this seasonal industry into a year-round industry that employs more Maltese and Gozitan citizens.

A major, long-awaited development is imminent: the Film Commission is in the final documentation phase for Malta's first-ever soundstage. With Planning Authority permits now secured, a call for private investment is expected to be issued soon to realize the Malta Film Studios project.

Have Questions? Contact Our Experts



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