

# Malta Budget 2025

How will it impact you?





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# General Outlook

## Main Highlights



### Deficit

The deficit decreased to 4.0% in 2024. Next year, it is expected to decrease to 3.5%, 3.0% in 2026, and 2.6% in 2027.



### Inflation

Inflation is expected to decrease to 2.5% in 2024 and to 2.1% in 2025.



### Cost-Of-Living Adjustment (COLA)

The cost-of-living adjustment for next year will be €5.24 per week. Students' stipends will increase pro-rata.



### Economic Growth

In 2023, Malta experienced the highest economic growth in the EU. The national economic growth was 7.5%, meaning 7.1% higher than the EU's. Malta's economy is projected to grow by 4.3% in real terms during 2024 and 7.0% in nominal terms.

The Real Gross Domestic Product (GDP) increased by 5.9%, while the nominal GDP increased by 9.6%, driven mainly by domestic demand.



# Fiscal Measures

## Income Tax

Income Tax bands adjustment

### Single Computation

- As of 2025, the threshold below which no tax is paid will increase from €9,100 to €12,000, meaning that the first €12,000 of the individual's income will not be taxable.
- The rate of 15% will apply to income between €12,001 and €16,000.
- Between €16,001 and €60,000, the rate will be 25%.
- Income above €60,000 will remain at 35%.
- This will result in a reduction in tax between €435 and €675 each year.
- The maximum reduction will benefit those with an income of more than €19,500 annually.

### Married Computation

- As of 2025, the threshold below which no tax is paid will increase from €12,700 to €15,000, meaning that the first €15,000 will not be taxable.
- The rate of 15% will apply to income between €15,001 and €23,000.
- Between €23,001 and €60,000, the rate will be 25%.
- Income above €60,000 will remain at 35%.
- This will result in a reduction in tax between €345 and €645 per year.
- The maximum reduction will benefit those with an income of more than €28,700 annually.

### Parent Computation

- As of 2025, the threshold below which no tax is paid will increase from €10,500 to €13,000, meaning that the first €13,000 will not be taxable.
- The rate of 15% will apply to income between €13,001 and €17,500.
- Between €17,501 and €60,000, the rate will be 25%.
- Income above €60,000 will remain at 35%.
- This will result in a reduction in tax between €375 and €650 per year.
- The maximum reduction will benefit those with an income of more than €21,200 annually.

In light of current uncertainties, Malta has postponed implementing Pillar 2. The European Commission is discussing proposed incentives for Malta, including grants and tax credits (QRTCs).



## Stamp Duty

- First-time buyers will continue to benefit from the Grant on First Residence (GFR) scheme and the reduction in Stamp Duty. The Stamp Duty reduction scheme for second-time buyers will also be extended.
- The reduced stamp duty rate from 5% to 1.5% for inter-vivos transfers to children and younger generations shall be extended.
- The tax incentives for properties that are being bought or sold, which have been built for over 20 years and have been vacant for more than 7 years, or properties located in an Urban Conservation Area (UCA), as well as new properties developed according to approved criteria will be extended. The tax incentives include exemption from Capital Gains Tax and the Stamp Duty on the first €750,000 of the property price, VAT savings of up to €54,000 on the first €300,000 in restoration and refurbishment costs, and a grant of €15,000 in Malta and €40,000 in Gozo for first-time buyers of these properties.



# The Elderly and Pensions

- The amount of pension income that will be disregarded for tax purposes will increase by a further 20% to 80%.
- Employees must be offered the opportunity to invest in an occupational plan. In the case of its employees, the government will contribute directly as an employer by paying as much as the individual contributes, up to a maximum of €100 per month.
- Widowers will remain tax-exempt. Moreover, by 2027, the widowed will receive the entire pension their spouse would have received had they remained alive.
- Service pensions—an extra €200 will be exempt from social security pension, totalling €3,666.
- Improvement in bonuses received by individuals not qualifying for a pension. The bonus rate will be worked on the number of social security payments made.
- A measure will be introduced to increase the contribution years needed for an individual to claim the entire pension.
- Pensioners to receive €8 weekly increase from 2025, adding up to €416 annually with COLA.
- Over the next two years, rates of the cost of living bonus adjustment will increase, reaching €21.53 per week for all pensioners by 2027.
- Widows and widowers will receive an extra €3 weekly, in addition to the €8 general pension increase.

# Employment and Family

- The Employment rate in 2024 was 81.3%. In Malta, employment grew by 6.1% in 2024, while the unemployment rate was 3.5%. Employment is projected to increase by 4.6% in 2024 and 4.1% in 2025.
- Next year, the national minimum wage will increase by €8.24 per week, reaching €221.78 per week. The minimum wage will continue to be tax-free.
- As of 2025, the allowance for children will be increased by €250 for every child.
- Parents will benefit from better rates for children's allowances, as apart from ignoring the amount of social security payments made, the income tax will also be ignored.
- In-Work Benefit: In addition to ignoring the amount of social security payments made, the amount of income tax will also be ignored.
- Extra leave for parents undergoing IVF treatment – 100 extra hours of leave for each cycle. It shall be split 60-40 between the mother and spouse.
- Paternity leave of 10 days for self-employed individuals
- Low/Medium income earning families:
  - will be entitled to a payment between €100 – €1,500 per year.
  - Supplementary allowance – there will be adjustments to the mechanism to reach more people.
- The tax-deductible amount for parents with children in independent schools will increase to €3,500 for kindergarten, €4,600 for primary school, and €6,500 for secondary school.
- The grant of €150 will continue to be given to individuals working atypical hours in certain sectors.



## Other Salient Measures

- The Seed Investment Scheme has been relaunched to encourage local start-up investments.
- In 2025, legislation on Limited Partnerships will be enacted to promote such emerging sectors
- The Highly Qualified Persons measure shall be extended to enhance back-office operations for licensed and unlicensed activities.
- Tax incentives shall be offered to food producers and sellers for donating near-expiration products or selling them at a reduced price
- Excise duty for small wine producers shall reduce
- Grants for new electric vehicles (up to €8,000) and scrapping old vehicles (€1,000) shall be extended
- Grants related to electric bicycles and pedelecs shall be renewed.
- Electric and plug-in hybrid vehicles shall be exempt from registration tax and annual road fees for 5 years.



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