Malta Budget
2026

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To Make the Difference

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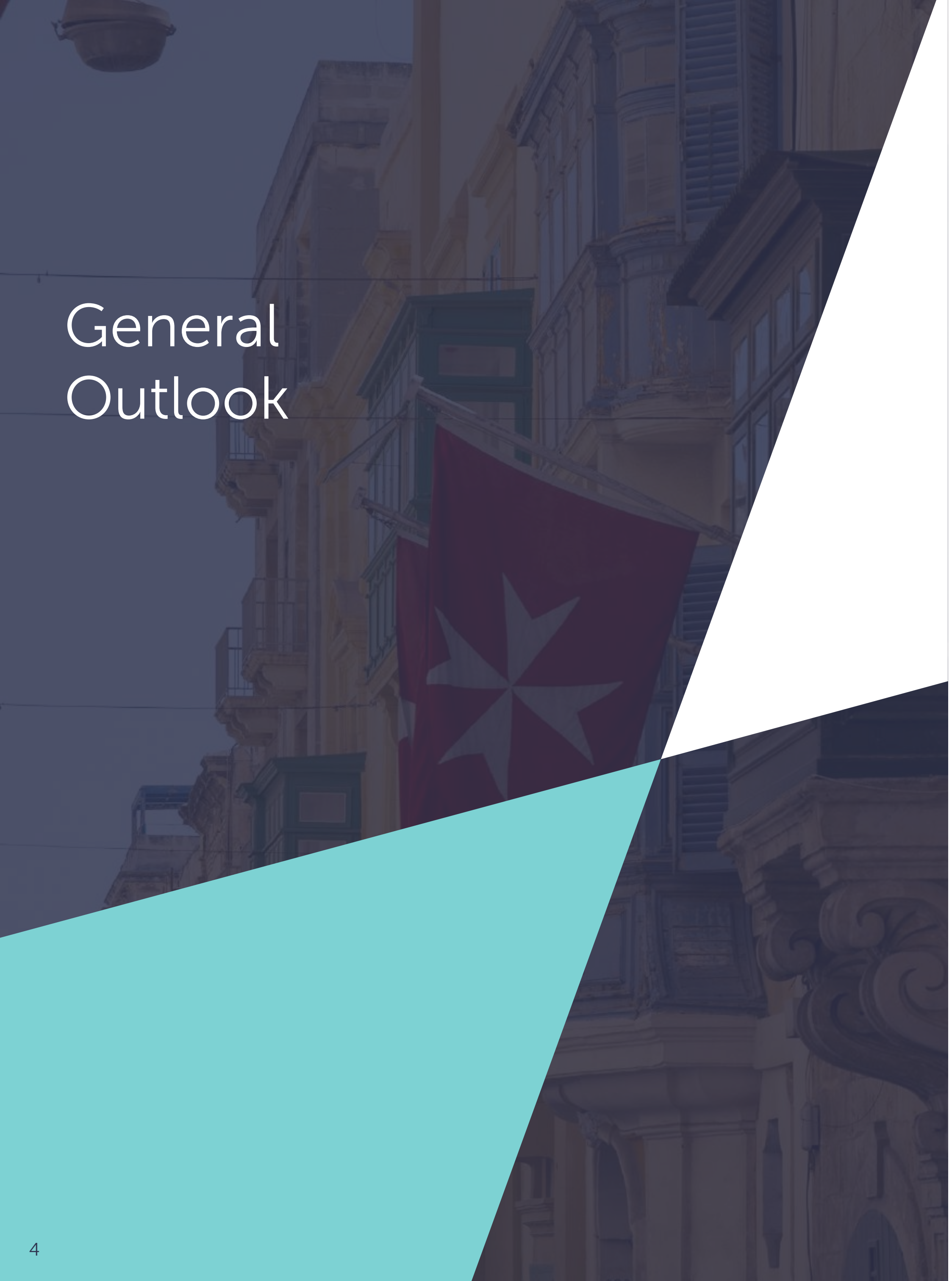
General Outlook



Main Highlights

Deficit

Deficit is expected to fall to 3.3% by the end of 2025. For next year, deficit is expected to decrease to 2.8%.

Inflation

Inflation is expected to stabilise at approximately 2.2% in 2026.

Cost-of-Living Adjustment (COLA)

The cost-of-living adjustment for next year will be €4.66 per week.

Economic Growth

In 2025, GDP increased by 3.1% in real terms, being the highest in the EU, mainly due to domestic demand and service exports. By end of 2025, economic growth is expected to reach 4.1% in real terms, which GDP rate is expected for 2026 driven by domestic demand and public investment.

Fiscal & Family Measures

Around 68,000 parents shall benefit from a tax cut worth €160 million in total. The average family tax saving shall be €2,400 per year over a period of 3 years. This is achieved by introducing 4 new tax brands depending on whether couples file their income tax return under the 'married' or 'parent' computation and on whether they have one child or more. The non-taxable threshold shall rise gradually over a three year-period, starting from 2026.

Married Tax Rates

In the case of families with one child applying the married tax rate, the tax-free bracket shall increase to €17,500 in 2026, €20,000 in 2027 and €22,500 in 2028, resulting into an average tax saving of €1,575 by 2028.

In the case of families with two or more children applying the married tax rate, the tax-free bracket shall increase to €22,500 in 2026, €30,000 in 2027 and €37,000 in 2028, resulting into an average tax saving of €3,500 by 2028.

2026

Computation for Married Individuals with One Child

Income	Rate	Deduct
€0–€17,500	0.0%	€0
€17,501–€26,500	15.0%	€2,625
€26,501–€60,000	25.0%	€5,275
€60,001+	35.0%	€11,275

2027

Computation for Married Individuals with One Child

Income	Rate	Deduct
€0 – €20,000	0.0%	€0
€20,001 – €30,000	15.0%	€3,000
€30,001 – €60,000	25.0%	€6,000
€60,001+	35.0%	€12,000

2028

Computation for Married Individuals with One Child

Income	Rate	Deduct
€0 – €22,500	0.0%	€0
€22,501 – €33,500	15.0%	€3,375
€33,501 – €60,000	25.0%	€6,725
€60,001+	35.0%	€12,725

2026

Computation for Married Individuals with Two Children+

Income	Rate	Deduct
€0 – €22,500	0.0%	€0
€22,501– €32,000	15.0%	€3,375
€32,001 - €60,000	25.0%	€6,575
€60,001+	35.0%	€12,575

2027

Computation for Married Individuals with Two Children+

Income	Rate	Deduct
€0 – €30,000	0.0%	€0
€33,001 – €41,000	15.0%	€4,500
€41,001 - €60,000	25.0%	€8,600
€60,001+	35.0%	€14,600

2028

Computation for Married Individuals with Two Children+

Income	Rate	Deduct
€0 – €37,000	0.0%	€0
€37,001– €50,000	15.0%	€5,550
€50,001- €60,000	25.0%	€10,550
€60,001+	35.0%	€16,550

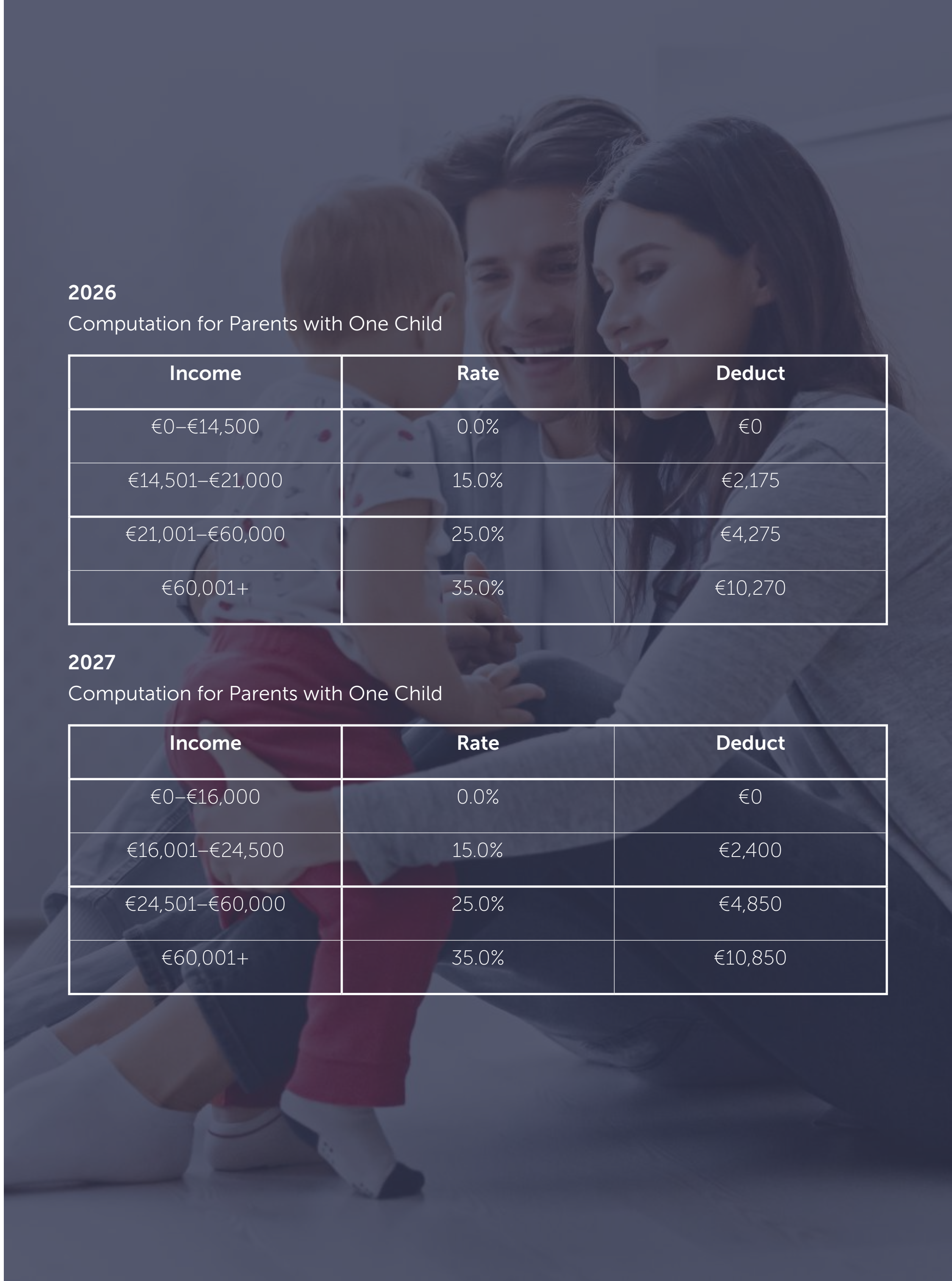
Parent Tax Rates

In the case of families with one child applying the parent tax rate, the tax-free bracket shall increase to €14,500 in 2026, €16,000 in 2027 and €18,000 in 2028, resulting into an average tax saving of €1,400 by 2028.

In the case of families with two children or more applying the parent tax rate, the tax-free bracket shall increase to €18,500 in 2026, €24,000 in 2027 and €30,000 in 2028, resulting into an average tax saving of €3,500 by 2028. As a result, parents earning €30,000 each and having 2 children or more will not pay any income tax in 2028.

Estimated long-term savings over a 25-year period per family:

- One child up to €65,000 – €113,000
- Two or more children: up to €150,000 – €257,000



2026

Computation for Parents with One Child

Income	Rate	Deduct
€0–€14,500	0.0%	€0
€14,501–€21,000	15.0%	€2,175
€21,001–€60,000	25.0%	€4,275
€60,001+	35.0%	€10,270

2027

Computation for Parents with One Child

Income	Rate	Deduct
€0–€16,000	0.0%	€0
€16,001–€24,500	15.0%	€2,400
€24,501–€60,000	25.0%	€4,850
€60,001+	35.0%	€10,850

2028

Computation for Parents with One Child

Income	Rate	Deduct
€0–€18,000	0.0%	€0
€18,001–€28,000	15.0%	€2,700
€28,001–€60,000	25.0%	€5,500
€60,001+	35.0%	€11,500

2026

Computation for Parent Individuals with Two Children+

Income	Rate	Deduct
€0–€18,500	0.0%	€0
€18,501–€25,500	15.0%	€2,775
€25,501–€60,000	25.0%	€5,325
€60,001+	35.0%	€11,325

2027

Computation for Parent Individuals with Two Children+

Income	Rate	Deduct
€0–€24,000	0.0%	€0
€24,001–€33,500	15.0%	€3,600
€33,501–€60,000	25.0%	€6,950
€60,001+	35.0%	€12,950

2028

Computation for Parent Individuals with Two Children+

Income	Rate	Deduct
€0–€30,000	0.0%	€0
€30,001–€42,000	15.0%	€4,500
€42,001–€60,000	25.0%	€8,700
€60,001+	35.0%	€14,700

Other Family Measures

New Parental Support Measures

Currently, both mothers and fathers are entitled to eight weeks of paid Parental Leave, which may be used until the child turns eight, and from next year, self-employed parents will enjoy the same benefits. Self-employed workers will also benefit from Bereavement and Miscarriage Leave. To further promote work-life balance, the Government will encourage remote working wherever feasible.

New Leave Donation

The Government already operates a leave donation fund in the public service, allowing employees to voluntarily share some of their annual leave with colleagues facing serious illness or other difficulties. From next year, this scheme will be extended to help new parents in the public sector spend more time with their newborns, using paid leave from the donated leave fund.

Social and Affordable Housing Initiatives

The "Nikru Biex Nassistu" scheme and First-Time Buyers Scheme will continue, while the Home Deposit Payment Scheme will rise to cover properties up to €250,000. Additional measures include funding lift installations in social housing, supporting renovations of vacant homes for affordable rental, and exploring ways for low-income buyers to access social loans.

Equity Sharing Scheme Expanded for Young Adults

The Equity Sharing Scheme will now be open to people aged 25 and over, allowing young adults who previously struggled to secure a home loan to apply. The property value limit for separated individuals purchasing a new home will increase to €350,000.

Since families with children will benefit from tax reductions, families who pay the least tax or pay no tax will benefit from an increase in children's allowance.

Thus in this respect the increase in the children's allowance for low and no-tax families will be as per the following:

- The income threshold determines rates higher than the basic rate will increase from €27,434 to €30,000.
- Children's Allowance rate for families earning less than €30,000 will increase by €250 per child.
- For families earning less than €23,000 net per year, an additional increase of up to €167 per child may be given, depending on income
- Over 4 years every family receiving the Children's Allowance will have seen an increase of between €590 and €1,007 per child.

In-work Benefit

Increase of €75 per child in the in-work benefit. The current-highest paid is €1,550 per child.

Birth and Adoption Bonus

- 1st Child the bonus will rise to €1000
- 2nd Child the bonus will rise to €1,500
- 3rd Child and beyond the bonus will rise to €2,000

Adoption Grant

i. Reimbursement of expenses for overseas adoptions will increase from a maximum of €10,000 to €12,000.

ii. For local adoptions, the reimbursement will rise from €1,000 to €2,000, of which €500 will be paid as a grant.

- Increase of €10 per week in the fostering allowance

i. This allowance will rise from €6,240 to €6,760 per year.

Fostering Allowance

Increase of €10 per week. Annual allowance will rise from €6,200 to €6,760 per year.

Other Fiscal Measures

Tax Benefits for Research, Innovation, AI, and Digitalisation

Tax reductions will be accelerated over two years for investments in AI, digitalisation, modernisation, automation, and cybersecurity. Additionally, a 175% tax deduction will be granted on eligible Research and Innovation expenditure to encourage companies of all sizes to consistently invest in technology, knowledge, and innovation, strengthening their competitiveness locally and internationally.

Inheritance Tax Relief Extended

The reduced inheritance tax rate of 3.5% for properties already occupied by the beneficiary will now apply to the first €400,000 of the property's value, up from €200,000.

Increase in Tax Deduction for Fees Paid for Elderly/Disabled Care or Respite Centres

The tax deduction for expenses paid towards elderly residences or respite centres for persons with disabilities is currently set at €2,500. As this amount has remained unchanged for years, it will be increased to €4,500 so that greater support may be provided to those who lessen the burden on public institutions by using private facilities.

Stamp Duty

First-Time Buyers Scheme Made Permanent

The First-Time Buyers scheme, launched in 2013, will now become permanent, removing the need for annual renewal. The rules have also been updated so that individuals who previously purchased non-residential properties, such as garages or shops, will still qualify.

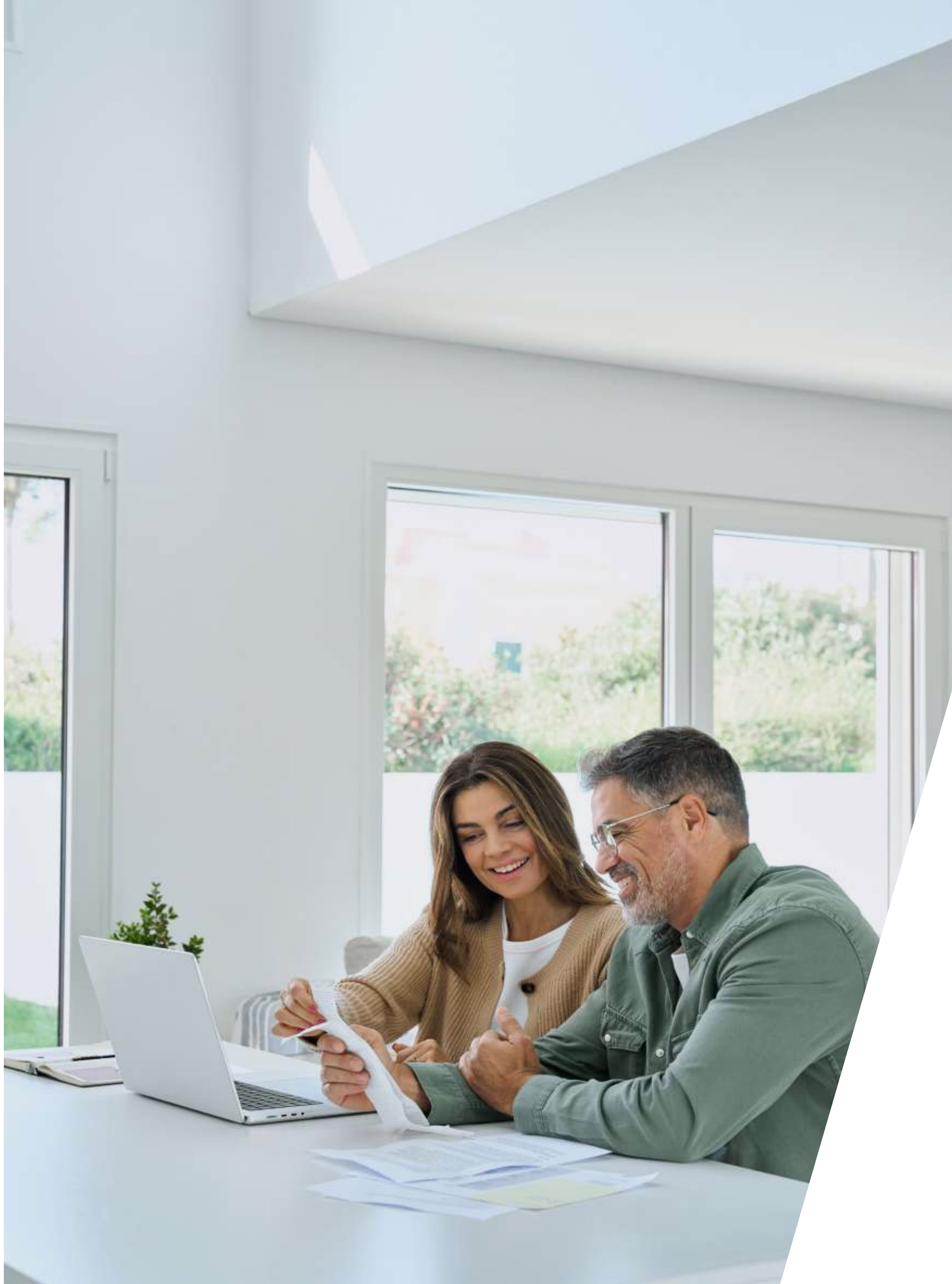
Supporting Family Businesses for the Future

The government has extended tax reductions on intra-family transfers and introduced new grants for governance, succession planning, digitalisation, and financing. These measures aim to ensure smooth succession and promote the long-term growth and sustainability of family businesses.

The Elderly, Pensions & Other Benefits

- An increase of €10 per week for pensioners, including retired persons with disabilities, widows and those entitled to an old-age pension;
- An additional increase average €3.50 per week to widowed pensioners;
- An increase of €10 per week in the allowance for widowers who are still raising children. This allowance shall be extended until the children reach 23 years of age.
- An increase in supplementary allowance:
    i. The maximum rate paid to couples shall rise to €27.30 per week, whilst the rate for single persons will rise to €14.40 per week. The income limit will be raised to €20,000 for couples and €14,000 for single persons.
    ii. Annual Supplement paid to persons aged 65 and over will increase by €100 i.e from €150 to €250.
    iii. Annual Supplement for couples will now be paid to both spouses in the age group of 65 and over instead of only one as was previously the case.
- Increase in the cost-of-living bonus rates:
    i. Some pensioners receive different rates due to discrepancies based on their retirement year. From 2027 onward, all pensioners will receive the same fixed rate of €21.53 per week irrespective of the year in which they retired.
- An increase of €2 and €14 per week to marred pensioners who receive reduced-rate pension as a result of the fact that their spouse who is also a pensioner shall benefit.
- An increase of €200 in the commuted pension for service pensioners who also receive a social security pension. In this respect the commuted pension will increase to €3,866. For those service pensioners who reach the age of 72, the entire amount calculate from the service pension will be disregarded.
- The bonus on non-pensioners will increase to €50. The bonus will now vary from €600 for those who paid up to one year of contributions) to €1,050 (for those who paid up to nine years).

- An increase of €75 in the Grant of Elderly Persons
    i. This applies to elderly persons living in their own homes or with relatives and to those who pay privately to live in private care homes. This grant will amount to €425 for persons aged from 75 to 79 and €525 for persons aged 80 and over.
- An increase in the increased sickness benefit and sickness benefit
    i. The rate for married persons will rise to €34.42 per paid sick day whilst for single persons the rate will increase to €25.81 per paid sick day.
    ii. The sickness benefit will rise to €25.81 per paid sick day for married persons and to €17.21 per paid sick day for single persons.
- Improvements to the Unemployment Benefit
    i. The higher rate paid will be extended from six weeks to ten, whilst period during which the lower rate is paid will be reduced from ten weeks to six.
- Increase of €10 per week in the allowance to persons dependent on drugs who are attending a rehabilitation programme. Those who successfully complete the rehabilitation programme and find stable employment will now qualify for four years of credited social security contributions. The employers who employ such people will be exempt from paying social security contributions for them for 2 years.
    i. Increases in Assistance for Persons with Disabilities and Carers. The increase in the National Minimum Wage and the Cost-of-Living Adjustment will be reflected in a higher weekly rate paid to persons with disabilities and carers.
- An increase in the Carers' Grant
    i. An increase of €179.24 in the Carer's Grant which will now result with a Carer's Grant of up to €5,368.89 per year. The Carers' grant is also currently being paid to non- working parents of children with severe disabilities under the age to 16.
- An increase of €250 (to €1,000 per year) per Child with a Disability applicable on the refund on therapy expenses for children under the age of 16. This now being extended up to the age of 23.
- Amendment to the Full Social Assistance Payment
    i. For unmarried parents living with their own parents, the benefit will no longer be reduced by 25% as it has been up to now.



- Pensioners born before 1962, may benefit form further improvements, if they qualify for an adjustment in their pension as part of the ongoing process to reduce the gap created by the 2006 reform in the Maximum Pensionable Income between these pensioners and those born after 1962. This applies to those persons whose salary in 2026 would exceed the revised Maximum Pensionable Income of €25,500, if they were still working. Both pensioners and widows will benefit from this improvement

- Pensioners will not pay tax on the equivalent of the maximum pension, including bonus. Furthermore, for pensioners whose income exceeds that amount, including those who are still working, starting next year double the equivalent of the maximum pension will be exempt from taxable income and will not be counted for tax purposes. Widows are exempt from tax as per the measured introduced two years ago.

- The minimum years of paid social security contributions required for a contributory pension vary according to year of birth. For those born before 1962, a minimum of ten years of contributions after the age of 18 is required. Since 2021, if this cannot be reached, contributions made before age 18 have been allowed to count. This rule does not apply to those born later, whose minimum requirement slightly exceeds twelve years. To ensure equal eligibility for a minimum pension, the law will be amended so that the ten-year minimum is applied to all persons, regardless of birth year, and contributions paid before age 18 will also be counted where necessary.

- Elderly persons in care homes are required to contribute part of their pension, depending on their level of care, ranging from 60% to 80% of their pension and 60% of any additional income. When one spouse is admitted to a care home (including Saint Vincent De Paul) 70% of the pension and half of the bonuses of the partner in care are retained by the spouse remaining at home.

- Currently, when both spouses are in care, 60% or 80% of their combined income is deducted. Starting next year, this reduction will be lowered — to 50% where 60% is currently applied, and to 70% where 80% is applied — so that more funds may be retained by couples for their personal needs.

- A Partial Invalidity Pension will be introduced next year as part of continued support for mental health. This benefit will allow limited work to be performed while a pension is received, based on a specialist’s recommendation. It will be granted to individuals medically certified as suffering from bipolar disorder, depression with psychosis, or acute depression, who have been under regular treatment for at least three years and whose condition is confirmed by a government consultant psychiatrist.

Other Salient Measures

Easier Finance and Reduced Bureaucracy for Businesses

The government has launched the Credit Review Office to improve communication between banks and businesses and allow appeals if a commercial loan is unfairly refused. A Central Data and Due Diligence Repository will speed up applicant verification and cut paperwork. From next year, opening a bank account will become a legal right for businesses.

Supporting Manufacturing and SMEs

A new grant scheme will help self-employed individuals and SMEs purchase industrial garages, with the government covering 50% of the cost, up to €300,000. An industrial complex for SMEs is under construction in Ħal Far.

Scheme for Increased Capital Investment

The Micro Invest scheme will be strengthened to include investment in digital solutions, with tax credits increased to €65,000 (up to 65% of eligible expenses). The 20% additional bonus for Gozo-based enterprises will remain, and total support for specific business categories can reach up to €85,000. The goal is to encourage businesses to invest in capital, boost efficiency, and remain competitive.

Support for the Private Sector to Improve Wages

Support will be provided to the private sector to boost wages and retain talent:

- For employees with over four years in the same company, 65% of wage increases will be financed for two years, up to €780 per year.
- In Gozo, support rises to 80%, up to €960 per year.
- The maximum Micro Invest benefit will increase from €45,000 to €65,000 in Malta and €80,000 in Gozo to further support small businesses.

Tax Credit for Investors

Support will be provided to businesses that invest to increase productivity and added value, including new startups. Eligible investments include machinery, tools, IT equipment and software, electronic machinery, and cybersecurity solutions. Investments made over the next two years will qualify for a 60% tax credit, spread over four years.

Cooperatives

Cooperatives will be exempted from the obligation to submit audited accounts for tax purposes, as stipulated in the published regulations.

AI for Everyone

Free courses, national certification, and practical sessions will be introduced for parents, students, workers, and seniors to make AI accessible to everyone. Participants will learn how AI can enhance studying, working, and daily life, and will receive a free subscription to an AI service to continue using future-ready tools.

Environmental Sustainability

A feed-in tariff will continue for electricity generated by photovoltaic installations smaller than 40 kWp, supporting small-scale renewable energy generation.

Strong and Fair Labour Market

The government implemented the Labour Migration Policy to make rules for foreign workers stricter and fairer, ensuring Maltese authorities retain control in society's interest. New employers face higher costs and multiple checks when hiring foreign workers.

Innovative programs like the Nomad Visa continue to be supported.

Digital Education

In 2025, students will receive digital devices and new resources to ensure equal access and support learning, while families with older students will receive €500 to strengthen Malta's Digital Education Strategy.

Increase in Student Stipends

Stipends will increase by 15%, providing an additional €6 million to support students and young people.

Free Gym Scheme for Youth and Children

The free gym scheme will be relaunched for young people aged 16–21 (born 2004–2009) who have not yet benefited from it this year.

Motor Vehicle Grants and New Measures

A new measure will come into effect allowing young people up to 30 years old to return their driving license in exchange for a €5,000 annual grant for five years.

Existing grants for electric vehicles and the car scrappage scheme will be retained, and new grants will be introduced for those who purchase a motorcycle or surrender their car license to switch to a motorcycle. Those who make this change will receive a €1,500 annual grant.

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