

Malta Budget 2025

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October 2024

Introduction

The Budget for 2025 was presented by the Minister of Finance and Employment Clyde Caruana on 28th October 2024. The Budget introduced changes to personal tax bands, enhanced the benefits to pensioners and the incentives to families and vulnerable persons, whilst also addressing specific economic sectors. This publication highlights the fiscal, social, and economic measures presented to Parliament by the Minister in his Budget speech.

Macroeconomic Indicators



Gross Domestic Product

The real GDP in 2024 is expected to increase by 5.9%. The nominal GDP is expected to increase by 9.6%, mainly driven by domestic demand



Inflation

The national rate of inflation is expected to decline from 2.5% in 2024 to 2.1% in 2025



Economic Activity

The Maltese economy is expected to expand by 4.9% by the end of 2024. In 2025, it is expected to expand by 4.3%

Macroeconomic Indicators



Deficit on Gross Domestic Product

The deficit on GDP in 2024 is expected to decrease to 4.0% (a further reduction from last year's estimate of 4.4%). In 2025 this is expected to decrease to 3.5%, with a further downward trend expected by 2026.

This is estimated to stand at 49.5% in 2024 and is forecast to slightly increase to 50.1% in 2025.

Debt to Gross Domestic Product Ratio



Employment

Malta is expected to register an increase in employment of 4.6% and 4.1% in 2024 and 2025, respectively.

Fiscal Measures



Fiscal Measures

Tax reductions – widening tax bands

The tax bands for all computations (single, married and parent rates have been widened, providing tax reductions for any individual. The new applicable tax bands shall be as follows:

Tax Computation					
Single Rates		Married rates		Parent rates	
Income	Tax Rate	Income	Tax Rate	Income	Tax Rate
0 - 12,000	0%	0 - 15,000	0%	0 – 13,000	0%
12,001 – 16,000	15%	15,001 – 23,000	15%	13,001 – 17,500	15%
16,001 – 60,000	25%	23,001 – 60,000	25%	17,501 – 60,000	25%
60,001 and over	35%	60,001 and over	35%	60,001 and over	35%

Fiscal Measures

Reduced rate of duty for intra-family transfers

The benefit of the reduced stamp duty rate of 1.5% on qualifying intra-family transfers of business property and securities by parents to their descendants will be extended for another year.

Increase in tax deductions for private school fees

The amount that may be claimed by individuals with children in kindergarten will rise to €3,500, those for primary school will increase to €4,600, and those for secondary school will increase to €6,500.

Tax exemptions for pensioners

The tax exemptions that apply from the age of 61 and above for pensioners will continue to be enhanced in such a way that the increases in the pensions being introduced in this year's budget will also be included in the exempt amounts. Widows will continue to be exempt due to a measure that was introduced in 2024.

Tax refunds

All eligible full-time and part-time employees will benefit again from a tax refund ranging between €60 to €140 depending on the income and applicable tax rates.

Fiscal Measures

Tax credit for therapy expenses

The tax credit granted to parents of children with disabilities to assist with expenses for specialized therapies for their children will increase from €500 to €750.

Property measures: incentives for properties in UCA

The extension for another year of the tax incentives for those individuals buying or selling property that has been built for more than 20 years and has been vacant for over 7 years, or property located in an UCA zone, or new properties developed according to approved criteria.

The tax incentives include the exemption from income tax and 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 refinement expenses, and a grant of €15,000 in Malta and €40,000 in Gozo for first-time buyers of such properties.

Fiscal Measures

VAT reduction to 0% on:

- Female sanitary produces
- Medical accessories related to cancer treatment for females

Corporate & International Tax – deferral of the Pillar Two Directive

Malta has continued with the election to defer the implementation and transposition of the Pillar Two Directive (with regard to the Global Minimum Tax rate of 15%). This means that for the time being Malta will not introduce any top-up tax (i.e. there will be no Income Inclusion Rule (IIR), Undertaxed Payments Rule (UTPR) or Qualified Domestic Minimum Top-up Tax (QDMTT)) that increases the effective tax rate in Malta to 15%.

Meanwhile, intensive discussions with the European Commission have continued regarding measures and incentives that Malta wishes to introduce in the form of grants or tax credits (“QRTCs”) to ensure compliance with the rules of the European Union and the OECD. This is being done to ensure that Malta remains competitive.

Social Measures



Social Measures

Cost of Living Adjustment ('COLA')

COLA will increase by €5.24 per week. Depending on the family's income and size, an additional COLA top-up of between €100 to €1,500 per year shall be granted.

Minimum Wage

Minimum wage will increase by €8.25 per week.

Children's Allowance

Children's Allowance is being increased by €250 per child. A new measure will be launched, which will allow families to qualify for improved child allowance rates. The calculation will disregard both the amount of social security contributions and income tax paid by the parents. A similar measure will also apply to the In-Work Benefit.

Leave

Prospective parents undergoing IVF will receive an additional 100 hours of paid leave for treatment cycles, with specific allocations for mothers and their partners.

Self-employed fathers will receive 10 days of paid paternity leave upon the birth or adoption of a child, similar to the leave provided to employed mothers.

Social Measures

Grants / Bonuses

- Parents whose children pursue post-secondary education will receive a €500 allowance, paid over three years.
- The bonus for families having a new child will rise to €1,500 for the third child and any subsequent children.
- The marriage grant for couples will increase to €500 for each person, totaling €1,000 per couple.
- The fostering allowance will increase by €10 per week, reaching €120 weekly per child in care.
- Families with low or medium incomes will receive an additional payment between €100 and €1,500 per year.
- The maximum rate for couples receiving the Supplementary Allowance will increase to €1,289 annually, while single recipients will receive €667. The income limit for couples will also expand to €18,000.
- A grant of €150 will continue to be provided to individuals working atypical hours in certain sectors.
- Next year, the grant for seniors aged 75-79 living at home or in a residential home will increase by €50 to €350, while the grant for those aged 80 and older will remain at €450. The Carer at Home scheme will rise by €500 to a total of €8,500 annually.

Social Measures

Free Medicine

Individuals over 75 years of age, receiving Supplementary Assistance will automatically qualify for free medications via the Pink Card, as from next year.

Assistance to individuals overcoming drug addiction

Those overcoming drug addiction will receive financial assistance and may qualify for two years of accredited social security contributions after securing stable employment post-rehabilitation.

Highly Qualified Persons Scheme

This scheme has been extended.

Social Measures

Measures intended for people with disability:

- Individuals with disabilities can receive assistance while remaining employed.
- Increases in Disability and Carer Assistance, as follows:
 - Severe Disability Assistance will increase to €199.61 per week.
 - Severe Disability Assistance will increase to €128.15 per week, while Disability Assistance will increase to €102.62.
 - Enhanced Carers Assistance will increase to €179.02 per week, while Carers Assistance will increase to €125.92 per week.
- A new measure will provide enhanced support for those caring for two high-dependency family members.
- Child Disability Allowance: The allowance for families with children suffering from physical or mental disabilities will increase by €5 to €35 per week, raising annual grants to €1,820.
- The Carers Grant will rise by €193 to €5,190 annually.

Pension Measures



Pension Measures

Increase in Pensions

From 2025, pensioners will receive an additional €8 per week amounting to €416 annually, which includes the cost-of-living adjustment.

Tax Exemptions

Tax exemptions for individuals aged 61 and over shall be adjusted to compensate for this increase. Widows and widowers will remain exempt from paying tax.

Tax-free pension income

To encourage pensioners to remain in employment, 80% of the pension income will not be subject to tax. This has increased from 60% in 2024.

Cost of Living Bonus

All pensioners will receive the same cost of living bonus rate annually.

Pension Measures

Occupational Pension Plans

Every employee will have the opportunity to invest in an occupational pension plan. Employers must offer a pension plan to their employees. Such employers will not be required to make any contributions, whilst participation by the employee will remain voluntary.

Pensioners born before 1962

Pensioners born before 1962 whose salaries would have exceeded the maximum pensionable income of €23,500 will receive an additional adjustment in their pensions.

Widow and Widower Pensions

Widows and widowers will receive an additional average increase in their pension of €3 per week, in addition to the general increase of €8 per week.

Service pensions

Similar to previous years, the portion of any service pension which is not to be reduced from the social security pension is to be increased by a further €200 amounting to a total €3,666.

Pension Measures

Improvement in Bonuses for Those Not Eligible for a Pension

Individuals who lack sufficient contributions to qualify for a pension shall receive a bonus based on the number of contributions they have made. This bonus will now range from €550 for those with 1 year of contributions to €1,000 for those with up to 9 years of contributions.

Measure for Pension Sustainability

The number of contribution years required for a person born in 1976 or later to qualify for a full pension shall increase by one year, bringing the total to 42 years of contributions.

Support for Individuals with Disabilities upon Retirement

When individual with disability retire and begin receiving their contributory pension, they will be granted an increase in their pension to compensate for the loss of disability assistance. The increase will not be less than 10% of the disability assistance they were entitled to prior to retirement.



Business & Investment

Business & Investment Measures

Health

Investment is expected to exceed €140 million in EU funds, aimed to improve medical infrastructure and equipment. A €14 million allocation are aimed to shorten waiting times for certain surgeries through private sector cooperation. Furthermore, new services will be provided freely to patients, such as occupational therapy, cancer therapy programs, diabetes care etc.

Innovation and Start-Ups

Malta has revised its AI strategy, established an AI unit, and launched various initiatives, such as the Digital Identity Wallet (enabling secure sharing of digital identities), the European Digital Innovation Hub (which supports start-ups and SMEs) and the Malta Government Venture Capital Limited (launched to invest €10 million in new companies), amongst other initiatives.

Financial Services

New legislation will be launched to support areas like family offices, aircraft leasing, fintech and AI. Legislative updates for Limited Partnerships are expected to be launched during 2025.

Business & Investment Measures

Low-Carbon Economy by 2050

The Climate Action Authority was launched to lead Malta's carbon neutrality strategy, supporting renewable energy installations in homes and promoting private sector renewable projects. Initiatives include, amongst others, schemes for installing photovoltaic panels, battery storage for renewable energy, heat pump and solar water heaters, incentives to restore wells in older homes, water purification equipment program etc.

Transition to Clean Energy

The government is pursuing opportunities in green and blue economies, especially through renewable electricity generation. Key initiatives include exploring offshore wind projects and solar projects in territorial waters.

Sustainability & the Environment

Clean public and private transport

The Government is addressing infrastructure challenges in Malta to promote sustainable growth, through various incentives, such as:

- Public transport improvements, including additions ferry routes
- Electric vehicle Grants: A new grant scheme will offer up to €8,000 for cars and small vans and €2,000 for motorcycles
- Scrapping old vehicles: €1,000 scrappage grant for older vehicles
- The incentive scheme for pedelecs, e-kickscooters, and the VAT refund for bicycles will continue. Electric vehicles and plug-in hybrids with an electric range of 50 km or more will remain exempt from registration and road taxes for five years.

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This publication summarises the measures announced during the Budget Speech on 28 October 2024. As such, many of these measures are still to be clarified by the publication of the relevant legislation and/or guidelines. Readers should seek professional advice by contacting directly any one of the professional advisors indicated above before acting upon any of these measures for any business transaction or for any action that may be affected by such measures announced in the Budget Speech.