

Malta Budget 2026



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An aerial photograph of a rugged coastline. The left side shows a steep, rocky cliff face with some sparse vegetation. The water is a vibrant turquoise color, indicating shallow depths and clear water. The right side of the image is a solid white background.

Introduction



The Budget for 2026 was presented by the Minister of Finance and Employment Clyde Caruana on 27th October 2025. The Budget introduced changes to 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.



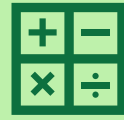
Macroeconomic Indicators

Macroeconomic Indicators



Gross Domestic Product

During the first half of 2025, the real GDP increased by 3.1%. The nominal GDP increased by 6%, mainly driven by the services sector and the public sector



Inflation

The national rate of inflation is expected to stabilise at 2.2% in 2025



Economic Activity

The Maltese economy is expected to grow by 4.1% in real terms in 2025

A photograph of a narrow street in Malta, looking down towards a large, ornate dome of a church or cathedral. The street is flanked by historic buildings with balconies and windows. The image is partially obscured by a large, curved, semi-transparent white shape on the right side.

Fiscal Measures

Fiscal Measures

Tax reductions for married and parent rates

The tax bands for married couples and parent have been widened, over a three-year period. New tax brackets have also been introduced for married couples and for parents with one child, or two children or more, providing additional tax reductions for these individuals. The tax rates for 2026, 2027 and 2028 will be revised according to the tables in the next slides.

Fiscal Measures

Married rates for couples having one child								
2026			2027			2028		
Income	Tax Rate	Deduct	Income	Tax Rate	Deduct	Income	Tax Rate	Deduct
0 - 17,500	0%	0	0 - 20,000	0%	0	0 - 22,500	0%	0
17,501 - 26,500	15%	2,625	20,001 - 30,000	15%	3,000	22,501 - 33,500	15%	3,375
26,501 - 60,000	25%	5,275	30,001 - 60,000	25%	6,000	33,501 - 60,000	25%	6,725
60,001 and over	35%	11,275	60,001 and over	35%	12,000	60,001 and over	35%	12,725

Fiscal Measures

Married rates for couples having two children or more								
2026			2027			2028		
Income	Tax Rate	Deduct	Income	Tax Rate	Deduct	Income	Tax Rate	Deduct
0 - 22,500	0%	0	0 - 30,000	0%	0	0 - 37,000	0%	0
22,501 - 32,000	15%	3,375	30,001 - 41,000	15%	€4,500	37,001 - 50,000	15%	€5,550
32,001 - 60,000	25%	€6,575	41,001 - 60,000	25%	€8,600	50,001 - 60,000	25%	€10,550
60,001 and over	35%	12,575	60,001 and over	35%	€14,600	60,001 and over	35%	€16,550

Fiscal Measures

Parent rates for a parent having one child								
2026			2027			2028		
Income	Tax Rate	Deduct	Income	Tax Rate	Deduct	Income	Tax Rate	Deduct
0 - 14,500	0%	0	0 - 16,000	0%	0	0 - 18,000	0%	0
14,501 - 21,000	15%	2,175	16,001 - 24,500	15%	2,400	18,001 - 28,000	15%	2,700
21,001 - 60,000	25%	4,275	24,501 - 60,000	25%	4,850	28,001 - 60,000	25%	5,500
60,001 and over	35%	10,270	60,001 and over	35%	10,850	60,001 and over	35%	11,500

Fiscal Measures

Parent rates for a parent having two children or more								
2026			2027			2028		
Income	Tax Rate	Deduct	Income	Tax Rate	Deduct	Income	Tax Rate	Deduct
0 - 18,500	0%	0	0 - 24,000	0%	0	0 - 30,000	0%	0
18,501 - 25,500	15%	2,775	24,001 - 33,500	15%	3,600	30,001 - 42,000	15%	4,500
25,501 - 60,000	25%	5,325	33,501 - 60,000	25%	6,950	42,001 - 60,000	25%	8,700
60,001 and over	35%	11,325	60,001 and over	35%	12,950	60,001 and over	35%	14,700

Fiscal Measures

First-time buyers' scheme and exemption

The first-time buyers' scheme will continue, offering a €1,000 yearly grant for ten years to first-time home buyers. Furthermore, the first-time buyers' exemption will become permanent, and the conditions will be updated to ensure that individuals buying non-residential property will not be disqualified.

Tax rates on inherited residential property

Individuals inheriting a property that was already being used as their residence, currently benefit from a reduced tax rate of 3.5% on the first €200,000 of the value of the property. This reduced tax rate will now be extended to the first €400,000 of the value of the property.

Reduced rate of duty for family business 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. Other family business measures will also be extended to facilitate succession, such as, consultancy grants, training for younger generations, and assistance with digitalisation and access to finance.

Fiscal Measures

Tax benefit for research and innovation, artificial intelligence, and digitalisation

Businesses will benefit from a two-year tax deduction and a 175% tax deduction on eligible research and innovation spending.

Micro invest scheme on capital investment

The tax credit on capital and digital investment is being increased to €65,000 (65% of eligible costs), with Gozo businesses retaining a 20% bonus and some enterprises entitled to receive up to €85,000 in aid.

Micro invest scheme on wages

An updated micro invest scheme will cover 65% of wage increases (up to €780 yearly) for long-serving employees, with enhanced aid in Gozo (80%, up to €960 yearly). Additionally, the micro invest benefit cap will increase to €65,000 in Malta and €80,000 in Gozo.

Tax credit on capital investment

Tax credit of 60% for business investments in machinery, IT, cybersecurity, and related equipment, spread over four years.

Eco-contribution

Eco-contribution will increase from €0.50 to €1.50 per night.

A circular inset image showing the facade of a large, ornate church. The church is constructed from light-colored stone and features a prominent central rose window with a blue and white floral design. Above the rose window is a series of arched windows. To the left, a large dome is visible. In the foreground, there are yellow flowers and green foliage. The image is set against a white background with a curved line separating it from the text area.

Social Measures

Social Measures

Grants and bonuses

- Cost of living adjustment for 2026 amounts to €4.66 per week.
- Children's allowance grant for families earning under €30,000 will receive an extra €250 per child, and those under €23,000 can get up to an additional €167 per child.
- A €10 weekly allowance increase for widowed parents, until their children turn 23.
- In-work benefit will increase by €75 per child.
- Birth and adoption bonus increases by €500, totalling to €1,000 for the first child, €1,500 for the second, and €2,000 for the third and beyond.
- Adoption grants increase up to €12,000 for foreign adoptions and €2,000 for local adoptions, of which €500 is provided as a grant.

Social Measures

Grants and bonuses

- Families will receive an extra €500 per child in post-secondary education.
- The fostering allowance will increase by €10 per week.
- The maximum rate for couples receiving the supplementary allowance will increase to €27.30 weekly, while single recipients will receive €14.40 weekly. The income limit for couples will increase to €20,000, whilst that of single persons will increase to €14,000. The annual supplement paid to persons aged 65 and over will increase by €100 (from €150 to €250).
- The unemployment benefit will be enhanced. The period during which the maximum rate is paid will be extended from 6 weeks to 10 weeks, while the period during which the minimum rate is paid will be reduced from 10 weeks to 6 weeks.
- The eligibility for the energy benefit income threshold will increase by €2,500 for couples.
- Unmarried parents living with their parents will receive full social assistance, without the 25% reduction.

Social Measures

Leave and remote working

- Neonatal care leave will be introduced to support employees whose newborns require intensive or additional care.
- Self-employed parents will be eligible for parental leave of 8 weeks as from next year.
- From next year, self-employed individuals will also be entitled to bereavement leave and miscarriage leave.

Assistance to individuals overcoming drug addiction

Individuals undergoing drug rehabilitation will receive a €10 weekly allowance, and earn four years of accredited social security upon completing the program and finding permanent work. Their employers will be exempt from social security contributions for two years.

Contribution credits for parents who stop working to care for their children

Parents who temporarily stop working to care for their children will receive social security contribution credits until the child reaches the age of 6, or 10 in the case of a child with a disability or rare disease. As from 2026, this eligibility will extend to age 10 for the first three children. For families with more than three children, the period covered by the credits will increase by one additional year for each extra child. The maximum age limit will be removed entirely for families with at least one child with a disability or a rare disease.

Social Measures

Measures intended for people with disability and seniors

- Increases in disability and carer assistance, as follows:
 - Enhanced severe disability assistance will increase to €206.50 per week.
 - Severe disability assistance will increase to €134.56 per week, while disability assistance will increase to €107.28 per week.
 - Visually impaired individuals' assistance will increase to €134.56 per week.
 - Enhanced carers' assistance will increase to €183.68 per week, while carers' assistance will increase to €130.58 per week.
- The disability benefit will be introduced next year - to be granted at 75% of the disability assistance rate.
- The increased sickness benefit for married persons will increase to €34.42 per paid sick day and €25.81 per sick day for single persons. The sickness benefit will increase to €25.81 per paid sick day for married persons and €17.21 per paid sick day for single persons.
- Carers' grant will increase to €5,368.89 annually. This will also be paid to non-working parents of children under 16 with a severe disability.
- Therapy reimbursement for children with disabilities increased to €1,000 per year, now covering those up to age 23.

Social Measures

Measures intended for people with disability and seniors

- A new incentive will lower electricity and water bills for disability (and animal welfare) organisations - which currently pay non-residential tariffs.
- The allowance to elderly aged 75-79 living at their own home or with relatives, as well as those that pay privately to reside in a care home, will increase to €425, while the grant for those aged 80 and older will increase to €525.
- Subsidies for home helpers will increase to €10 per hour.
- The carer at home scheme for full-time carers will rise to €9,000 per year.
- To date, individuals who pay fees for elderly care homes or respite centres for persons with disabilities can deduct up to €2,500 of these expenses from their income. This amount will increase to €4,500.

Social Measures

Social and affordable housing initiatives

- The “Nikru Biex Nassistu” scheme will continue, with increased funding planned.
- Efforts to make social home loans easier for low-income buyers are underway.
- Support for installing additional lifts in social housing will continue, with €2 million allocated next year.
- The rent subsidy scheme may be extended to older private farmhouses.
- The equity sharing scheme will help 25 to 30-year-olds and separated individuals to purchase their own homes, with the Housing Authority covering half the cost, repayable over 20 years, and a property limit of €350,000 for separated buyers.
- The 10% deposit scheme for home loans will be increased from €225,000 to €250,000 to provide additional support to those who have insufficient funds for the down payment on the promise of sale. The loan will be repaid over 25 years, with interest paid by the Housing Authority.

Social Measures

Student stipends

Student stipends will increase by 15%.

Free gym membership scheme

To be reintroduced for youth aged 16–21 (born 2004–2009) who haven't yet participated this year, building on the success of the previous program.

Support to families of students

A €500 financial support will be provided to families with students in Years 10 and 11 to strengthen digital education.

A photograph of an elderly couple sitting on a wooden bench on a balcony. The man is wearing a dark sweater and the woman is wearing a light-colored top. They are looking out over a cityscape and a body of water. The balcony has a metal railing with a circular pattern. To the left is a stone wall and a planter box with red flowers. The image is partially obscured by a white curved shape on the right side of the slide.

Pension Measures

Pension Measures

Increase in pensions

A €10 per week increase in retirement pensions, disability and widow(er)s' pensions, as well as those entitled to an old-age pension.

Widow and widower pensions

An additional increase reaching an average of €3.50 per week for widowed pensioners.

Cost of living bonus

The cost-of-living bonus for pensioners is being standardised. 2026 will be the last year with different rates, and from 2027 all pensioners will receive a fixed €21.53 per week.

Alignment of pension rates for spouses receiving reduced pensions

Spouses who currently receive a reduced pension because their partner is also receiving a pension will see an increase of €2 to €14 per week.

Pension Measures

Service pensions

The pension for service pensioners with a social security pension is rising by €200 to €3,866. For pensioners who reach the age of 72, the amount calculated from the service pension will be disregarded.

Improvement in bonuses for those not eligible for a pension

The bonus for those not eligible for a pension will increase by €50. This bonus will now range from €600 for individuals with up to 1 year of contributions to €1,050 for those with up to 9 years of contributions.

Pensioners born before 1962

Pensioners born before 1962 may receive an additional adjustment as part of the ongoing effort to reduce gaps from the 2006 reform of the maximum pensionable income. This applies to those whose 2026 salary would exceed the revised maximum pensionable income of €25,500.

Pension Measures

Tax exemption for pensioners

Pensioners will be exempt from tax on the maximum pension, including bonuses. From 2026, pensioners whose income exceeds this amount, including those who are employed, will have double the equivalent of the maximum pension, as exempt.

Repayment of missing social security contributions

Individuals can repay up to 5 years of missing social security contributions to qualify for or improve their pension. The work requirement will be removed for those needing to reach the 10-year minimum. In 2026, self-employed persons affected by COVID can regularize missed or low contributions.

Standardising minimum contribution years for pensions

The minimum years of social security contributions required for a pension currently vary by birth year. From now on, the law will be amended so that everyone needs a minimum of 10 years of contributions, including those paid before age 18 if necessary, ensuring equal opportunity to qualify for a minimum pension.

Pension Measures

Changes to pension deductions for couples in nursing homes

Currently, elderly couples in nursing homes face deductions of 60% or 80% from their total income. From 2026, these will be reduced to 50% and 70%, respectively, in a way to assist couples to have more funds available for personal needs.

Increase in disability benefit for those unable to work

From 2026, those genuinely unable to work, including individuals with severe illnesses, will receive the equivalent of the two-thirds pension instead of the net national minimum wage.

Introduction of partial disability pension

From 2026, a partial disability pension will allow individuals to work part-time while receiving their pension. This applies to those medically certified with bipolar disorder or severe depression, who have undergone regular treatment for at least three years and whose condition is confirmed by a government-employed consultant psychiatrist.



Business, Sustainability, Investment, and Other Measures

Business, Sustainability, Investment, and Other Measures

Start-ups

Several schemes will be extended to support business growth, start-ups, and innovation. Programs like B-Start, Start-up Finance, and Accelerate are providing funding and support for new enterprises. Investments through Malta Government Venture Capital are targeting sectors like health tech, gaming, and fintech.

Mental health incentives

Aimed in workplaces to ensure sustainable productivity.

Innovation and training

Investment in youth opportunities through training in digital, creative, and aviation sectors, and a summer entrepreneurship program with practical modules, mentoring, and SME internships.

Business, Sustainability, Investment, and Other Measures

National digital identity wallet

A new tool which will be launched and aimed to share and verify digital identities and certificates.

AI for everyone

A new initiative aimed to make AI accessible to all is to be introduced to provide free courses, educational sessions and other resources.

Digitalisation investment

€100 million investment fund aimed for the digitalisation and adoption of technologies such as AI, IoT, cybersecurity, AR/VR, blockchain, and robotics. Funds to be distributed via Malta Enterprise, MDIA, EU funds, and other government agencies to enhance efficiency and competitiveness.

Co-operatives

New measures to be introduced for co-operatives to be exempted from submitted audited accounts for tax purposes.

Business, Sustainability, Investment, and Other Measures

Health

- Investment in enhancing healthcare with investments in Mater Dei, oncology, and neonatal services, alongside new IVF and cryopreservation facilities.
- Access to free medicines is expanding, including lowering the 'Kartuna r-Roża' age to 65.
- From next year, coeliac support will be paid directly to bank accounts, increasing from €65 to €85 per month.
- Health services will be expanded and improved, with Ħal-Qormi and Gżira health centres operating 24 hours a day, and Rabat and Gozo health centres extending services until midnight.

Grants and other measures

- As from 2026, voluntary schemes will offer fair compensation to retiring farmers to transfer land to young or professional farmers, along with tax incentives to encourage agricultural land sales and purchases.
- Young people up to 30 years of age can return their license for a €5,000 yearly grant over five years.
- A €1,500 yearly grant will be introduced for motorcycle buyers and those giving up their car license to instead use a motorcycle.

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DFK

M A L T A

This publication summarises the measures announced during the Budget Speech on 27 October 2025. 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 before-hand 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.