

Budget 2027

Finance Minister Clyde Caruana presented the 2027 Budget on October 26, 2026, outlining a financial plan focused on continued energy subsidies, tax relief for families, and measures to encourage productivity, while introducing new levies for tourism and third-country nationals.

The information contained herein is intended to keep readers abreast with developments and should not be acted upon without seeking professional advice.

For further details, please contact:

CMS Corporate

15, CMS House Third Floor - St. Peter's Street - San Gwann SGN 2311

Tel: 21 384761 Fax: 21 386301

E-mail: info@cmscorporate.mt

Website: www.cmscorporate.mt

Key Measures for Businesses

- **Corporate Tax Reduction:** Companies with an annual turnover not exceeding €1 million will benefit from a reduced corporate tax rate of 25% (down from 35%) on retained or reinvested profits. Profits distributed as dividends will remain taxed at the 35% rate. This new framework will be subject to conditions and limitations to be set out in relevant rules.
- **Income Tax Enforcement:** Targeted measures shall be devised for property transactions involving airspace sales, requiring disclosure of the full consideration, stronger valuations and checks, and taxation based on economic substance. This measure follows identified arrangements involving sale of airspace that may result in tax being calculated on only part of the actual value of a completed property. The measure will cover intermediaries and developers not named in the deed of transfer.
- **VAT Enforcement:**

The government is implementing a more targeted, enforcement-led approach to VAT compliance, including administrative fines for failure to issue correct VAT invoices and fiscal receipts rather than immediate criminal proceedings. The penalties for offences falling within a 24-month period will be €100 for first offence, €200 for the second offence, €400 for the third offence, and €500 for the fourth and subsequent offence thereafter.

A new VAT mechanism for the construction sector aims to address potential abuse by shifting the VAT accounting obligation from the supplier to the business customer. The reverse charge mechanism in the construction sector will be mandated whereby the supplier will no longer charge VAT on the invoiced amount and, instead, the business acquiring the said goods or services will declare the applicable VAT itself, with the corresponding right to claim it back, if eligible.

Guidelines will clarify the VAT exemption on food, particularly ready-to-eat food sold by supermarkets, minimarkets, and convenience shops. The aim is to achieve consistent application across the sector resulting in fair competition.

- **Incentive Schemes:** Existing schemes related to housing, electric vehicles, renewable energy, and Malta Enterprise incentives for digitalisation and automation are set to be renewed.

Tourism and Infrastructure Levies

- **Eco-Contribution Increases:** New tourist eco-contribution rates will apply from January 1, 2027: €8 per night for hotel stays (capped at €64) and €10 per night for short-let / Airbnb accommodation (capped at €80). Accommodation at English language schools will no longer be subject to the eco-contribution.
- **Additional Charges:** Cruise liner passengers who disembark and re-embark in Malta will pay a €10 eco-contribution, and tourists visiting Comino will face a new €5 charge.

Impact on Workers and Individuals

- **Income tax reductions for families with children:** The three-year reduction in income tax for families with children announced in the previous budget will continue in 2027. The tax-free thresholds will rise to:

€20,000 under the married computation with one child (*maximum tax saving per annum is €725*) and €30,000 with two or more children (*maximum tax saving per annum is €2,025*).

€16,000 under the parent computation with one child (*max tax saving per annum is €580*) and €24,000 with two or more children (*maximum tax saving per annum is €1,625*).
- **Super Bonus:** A tax-free "Super Bonus" of up to €1,000 will be paid in the first quarter of 2027 to eligible workers (including self-employed, part-timers, and pensioners who continue to work) earning €12,000 or more; lower earners will receive a pro-rata payment.

- **Wages and COLA:** The Cost-of-Living Adjustment (COLA) has been set at €6.41 per week with effect from 1st January 2027. The national minimum wage will increase by €10.41 per week, inclusive of COLA, amounting to €239.85 weekly.
- **Pension Support:** €10 weekly increase in pensions for certain retirees, invalidity, widows and old-age pensioners. The tax-exempt pension income is to increase by €520 per annum to €37,624.
- **Leave Entitlements:** Ten days paid sports leave for elite athletes (and accompanying technical medical staff), an additional ten working days of leave a year for foster parents, and social security contribution credits of up to two years for employees who take time off due to domestic violence or mental health issues.
- **Grants:** The Carers' grant paid to parents who are unable to work because of the severe disability of their children will increase to €7,500 per year. This benefit will still be payable to parents who work on a part-time basis (less than 20 hrs per week) at a rate which is equivalent to half the net National Minimum Wage. The adoption grant involving the reimbursement of expenses for families adopting children from overseas will increase by €1,000 to €13,000 whilst the Carer at Home Scheme is to increase by €800 to €9,800 per year.
- **Tax return submissions:** A project is to be launched to make individual income tax returns the default for spouses, while retaining joint filing by election where legally permitted.

Third-Country Nationals (TCNs)

- **Increased Fees:** Work permit application fees for TCNs will increase by €200 to €800, and an additional annual "infrastructure contribution" of €400 will apply to new applications and renewals.
- **Benefit Restrictions:** TCNs who have not resided in Malta for at least five years will no longer be eligible for free public transport and free childcare. No changes will be made for children who are currently enrolled under this system until their children cease to qualify for childcare.

Energy and Sustainability

- **Energy Subsidies:** The government has allocated approximately €400 million to maintain stable electricity, gas, and fuel prices for households and businesses.
- **Annual yacht-registration fees:** Annual yacht registration fees will increase for affected vessels in the 10 to 24 metre range, with fees varying by gross tonnage and length. The additional fees do not apply to professional fishing vessels, vessels under 10m and vessels of 24m and above. The measure is aimed at offsetting part of the fuel subsidy received by these vessels.
- **Infrastructure Investment:** Significant funding is directed towards improving the energy distribution grid, including two new Malta-Gozo submarine cables and a second Sicily interconnector.
- **Transport:** From 1st January 2027, eligibility for free public transport will be retained for Maltese citizens, EU citizens resident in Malta and long-term residents.

Driving in Malta using a non-EU driving license will only be possible for up to 12 months from entry into Malta. This 12-month period will not restart if the person leaves and subsequently re-enters Malta.

An administrative charge of €83 per month will apply to holders of Category B and B1 driving licences issued or renewed from the relevant date. This administrative charge is not applicable to EU citizens, EEA citizens, long-term residents and their spouses, citizens of the UK, Australia and the UAE, and persons holding residence permits for specific driving employment.

Disclaimer: This summary is based on announcements made during the Budget 2027 speech. Please refer to official government publications and detailed legal notices for full conditions and implementation timelines.