Malta Budget 2026

An analysis by AE Business Advisors

AE BUSINESS ADVISORS

Foreword by the Head of Tax

The 2026 Budget, presented under the theme "A strong economy, a future for our children," continues Malta's approach of economic resilience, social support, and sustainable growth.

The fiscal plan projects a deficit of 2.8% of GDP for 2026, a milestone that places Malta below the EU's 3% benchmark, while maintaining energy price stabilisation measures and prioritising ongoing investment in infrastructure, healthcare, and education.

A defining feature of this year's Budget is the phased reform of personal income tax computations for families with dependent children, which will reshape disposable income outcomes between 2026 and 2028. Additional measures supporting pensions, disability allowances, and childcare benefits aim to ease cost-of-living pressures and promote greater workforce participation.

From a business standpoint, the Budget emphasises continuity and stability in Malta's fiscal framework, while directing focus toward innovation-driven sectors, digital transformation, and skills development to sustain competitiveness.

In this report, we provide an independent analysis of the measures announced and their implications for both businesses and individuals. Our aim is to offer clarity and perspective, helping clients understand the potential impact of these developments and supporting informed decision-making and strategic planning in the months ahead.

Russell Camilleri
HEAD OF TAX

EXECUTIVE SUMMARY

Budget 2026 focuses on:

- Significant restructuring of income tax rates for families with dependent children, phased until 2028
- A **€4.66 weekly** Cost of Living Adjustment (COLA)
- **Pension increases** and targeted **widow's benefit** adjustments
- Continued subsidies on **energy and essential goods**
- Measures promoting **skills, innovation and competitiveness**
- Sustained investment in **infrastructure, healthcare and education**
- Support for affordability in **housing and renovation sectors, with refreshed schemes**

Macroeconomic Highlights

Real GDP growth forecast for 2026: **4.1%**

Fiscal deficit expected at **2.8% of GDP** (below the 3% EU benchmark)

Public debt expected to stabilise **below 50% of GDP**

Inflation projected at **2.2%**

Tourism and digital services remain **key growth drivers**

ECONOMIC & FISCAL OUTLOOK

- GDP increased by **3.1%** in the first half of 2025, above EU averages
- Growth supported by domestic demand and strong services exports
- Tourism remains strong, with higher arrivals and expenditure in 2025
- Information and communication services continued to expand
- Inflation projected at **2.2%**
- **COLA: €4.66 per week** for 2026
- Fiscal deficit path indicates **2.8% of GDP in 2026**, bringing it **below 3%**

The government's strategy seeks to sustain economic momentum while gradually restoring fiscal buffers.

INCOME TAX REFORM FOR FAMILIES

A new tax structure applies **exclusively to families with dependent children**, phased in from **2026 to 2028**.

Eligibility

Families qualify if their **youngest child is under 18, or under 23 if in full-time education**.

The new structure introduces **four tax computations**:

1. Married (joint computation) – One child
2. Married (joint computation) – Two or more children
3. Parent (separate computation) – One child
4. Parent (separate computation) – Two or more children

2026 – New Computations

Income (€)			
From	*To*	*Rate*	*Subtract*
MARRIED - ONE CHILD			
0	17,500	0%	0
17,501	26,500	15%	2,625
26,501	60,000	25%	5,275
60,001	and over	35%	11,275
PARENT – ONE CHILD			
0	14,500	0%	0
14,501	21,000	15%	2,175
21,001	60,000	25%	4,275
60,001	and over	35%	10,270
MARRIED – TWO OR MORE CHILDREN			
0	22,500	0%	0
22,501	32,000	15%	3,375
32,001	60,000	25%	6,575
60,001	and over	35%	12,575
PARENT – TWO OR MORE CHILDREN			
0	18,500	0%	0
18,501	25,500	15%	2,775
25,501	60,000	25%	5,325
60,001	and over	35%	11,325

2027 Tax Rates				2028 Tax Rates			
Income (€)				Income (€)			
From	*To*	*Rate*	*Subtract*	*From*	*To*	*Rate*	*Subtract*
MARRIED - ONE CHILD				MARRIED - ONE CHILD			
0	20,000	0%	0	0	22,500	0%	0
20,001	30,000	15%	3,000	22,501	33,500	15%	3,375
30,001	60,000	25%	6,000	33,501	60,000	25%	6,725
60,001	and over	35%	12,000	60,001	and over	35%	12,725
PARENT – ONE CHILD				PARENT – ONE CHILD			
0	16,000	0%	0	0	18,000	0%	0
16,001	24,500	15%	2,400	18,001	28,000	15%	2,700
24,501	60,000	25%	4,850	28,001	60,000	25%	5,500
60,001	and over	35%	10,850	60,001	and over	35%	11,500
MARRIED – TWO OR MORE CHILDREN				MARRIED – TWO OR MORE CHILDREN			
0	30,000	0%	0	0	37,000	0%	0
30,001	41,000	15%	4,500	37,001	50,000	15%	5,500
41,001	60,000	25%	8,600	50,001	60,000	25%	10,550
60,001	and over	35%	14,600	60,001	and over	35%	16,550
PARENT – TWO OR MORE CHILDREN				PARENT – TWO OR MORE CHILDREN			
0	24,000	0%	0	0	30,000	0%	0
24,001	33,500	15%	3,600	30,001	42,000	15%	4,500
33,501	60,000	25%	6,950	42,001	60,000	25%	8,700
60,001	and over	35%	12,950	60,001	and over	35%	14,700

Practical Considerations

- Payroll software must be **updated ahead of 2026** to reflect the new rates.
- Enhanced **eligibility monitoring** will be required for family-based computations.
- **Household-level planning** will become increasingly important as thresholds rise through 2028.

SOCIAL & WELFARE MEASURES

Cost of Living Adjustment (COLA)

The **COLA** for 2026 is set at **€4.66 per week**, continuing the government's policy of annual compensation for inflationary pressures.

Pensions

- **€10 per week increase** for approximately **100,000 retirement, invalidity, and widow pensioners**, and those entitled to the age pension.
- **An additional adjustment averaging €3.50 per week** for approximately **7,000 widows' pensioners.**

Family Benefit Enhancements

CHILDREN'S ALLOWANCE

- Income threshold raised to **€30,000**.
- Additional **€250 per child** increase.
- For families with incomes below **€23,000**, the increase can reach up to **€167 per child**.

BIRTH & ADOPTION BONUSES

- €1,000 for the first child
- €1,500 for the second
- €2,000 for the third or subsequent child

IN WORK BENEFIT

- step up of €75 toward the multi-year commitment; current maximum €1,550

ADDITIONAL ENHANCEMENTS

- The Therapy Credit is extended up to age 23.
- Foster allowances are increased.

Sickness Benefits (per paid sick day)

- Married rate: **€34.42**
- Single rate: **€25.81**
- **Standard sickness benefit:**
  - Married: **€25.81**
  - Single: **€17.21**

Carer & Elderly Support

- **Carers' Grant** increased by **€179.24** to **€5,368.89 per year**
- **Carer at Home Scheme** increased to **€9,000 per year**
- **Pension withholding reductions** confirmed for residents in elderly care homes.

Social Security Credits

Extended from **6 to 10 years per child** for parents (up to 3 children; increases further per additional child)

Youth

Stipends increased by 15%, adding approximately **€6 million** annually

Healthcare – Coeliac Support

- Transition to **bank transfer system** replacing vouchers
- Monthly benefit increased from **€65** to **€85**

BUSINESS MEASURES

While the Budget's primary focus is on households and social support, several measures of interest to the business community were also announced. These relate mainly to innovation incentives, skills development and sustainability related investment.

Innovation & Digitalisation

- National **€100 million** technology investment programme across AI, IoT, cybersecurity, AR/VR, blockchain and robotics
- **175% tax deduction** for eligible **R&D** expenditure
- **Accelerated tax relief:** capital expenditure on AI, digitalisation, modernisation, automation and cybersecurity **deductible over two years**
- **Investment tax credit: 60%** on qualifying capital investments (as announced)

MicroInvest Enhancements

- Upper limits increased:
  - Malta: **€65,000**
  - Gozo: **€80,000** (with certain categories up to **€85,000**)
- New eligibility for **digital solutions** expenditure
- **Wage cost** incentive for long tenured employees (4+ years' service):
  - Up to **65%** tax credit in Malta (cap **€780** p.a. over two years)
  - Up to **80%** in Gozo (cap €960 p.a. over two years)

Industrial Space

Government co funding **50%** of investment in **industrial garages**, up to **€300,000 per project**, for eligible SMEs/self employed

Workforce

Launch of a **Malta National Talent Register** to improve labour matching

International Tax

There are **no new announcements on OECD Pillar 2** implementation in this Budget. Businesses are advised to monitor ongoing EU and OECD developments for updates during 2026.

HOUSING & PROPERTY MEASURES

- **First-time buyer** €10,000 **cash grant** extended
- **First €200,000 duty exemption** for first-time buyers recognised in legislation (continuity confirmed)
- Relief extended to individuals who previously acquired **non-residential** property before purchasing their first **residential** property (as announced)
- **Causa mortis:** reduced **3.5%** rate **extended to the first €400,000** where the inherited property is already used as the beneficiary's primary residence
- **10% deposit scheme**: property ceiling increased to **€250,000**; **25-year** repayment; **interest paid by the Housing Authority**
- **Equity sharing**: eligibility **extended to age 25+**; for **separated individuals**, the property value **limit raised to €350,000**
- **Utility bill credits** for approved voluntary organisations in disability and animal welfare sectors

These measures continue supporting access to home ownership and regeneration.

SUSTAINABILITY, ENERGY & WASTE MANAGEMENT

Energy and Water

- Ongoing **price stability** policy for electricity, water, fuel and LPG
- **Second interconnector** installation expected in **Q1 2026** (~99 km cable; ~€300m project)
- Investment in **battery storage** to support renewable integration and day-night usage of solar energy
- **Offshore wind**: EoI for projects within Malta's EEZ is under evaluation
- Continued **feed in tariff** for PV systems under **40 kWp**
- Ongoing upgrades to the **distribution network** and **water quality** infrastructure
- Expansion of **treated wastewater** distribution (including a 16 km extension and capacity increases in the North of Malta and Gozo)

Waste & Circular Economy

- Mixed waste volumes reduced by **35%** since 2018
- Record organic waste processing, generating renewable energy and high-quality compost
- Pipeline projects:
  - New **organic waste treatment** plant (~€85m, c. 7**5k tonnes/year**)
  - **Skip waste** sorting facility (~€17m)
  - Construction waste treatment studies and initiatives

Tourist Eco Contribution

Increase from **€0.50** to **€1.50 per night**

Green & Community Spaces

- Continued investment in parks and green spaces across Malta and Gozo
- **Ta' Qali** masterplan (~€68m) including jogging and cycling tracks
- Further **flood relief** works in vulnerable areas

TRANSPORT, MOBILITY & INFRASTRUCTURE

- Road upgrades aimed at congestion relief, safety and air quality
- **C-SAM** infrastructure for cyclists and pedestrians
- Expansion of the **electric bus** fleet
- **Fast ferry** services enhanced under Tal-Linja by Sea
- Maritime infrastructure including **shore-to-ship power**
- Aviation and superyacht registries continue to expand

AGRICULTURE, FISHERIES & ANIMAL WELFARE

Agriculture

- New **Authority for Food Security** to promote sustainable practices and protect arable land
- Schemes to facilitate land transfer to **young/ professional farmers**
- Modernisation of the **Pitkalija** to improve quality and efficiency

Animal Welfare

- National **animal hospital** commencing operations, with expanded veterinary services
- Investment in **cremation and rehoming** facilities

Fisheries & Blue Economy

- Strategic plan to bolster sustainability and competitiveness
- New **pathological laboratory** to support aquaculture

GOZO: ECONOMIC & SOCIAL DEVELOPMENT

- Road improvements and alternative transport projects
- Task force to optimise **Mġarr Port** utilisation and support the **GOZO RURAL AIRFIELD** for niche tourism
- Education infrastructure and simplified student support: **€280/month** grants for Gozitan students studying in Malta
- Health investment including **helipad, operating theatres and renal unit**
- **€20 million** fund for sustainable urban development and open spaces
- Sports facilities including identification of an **athletics track**
- Agricultural innovation via an **experimental research hub**

SECURITY, JUSTICE & PUBLIC SERVICES

- **€6 million** investment in policing technology and systems
- New **Commerce Court** to improve commercial case resolution
- Continued investment in public services and cultural initiatives

Budget 2026 reflects continued fiscal stability, complemented by focused measures that enhance family wellbeing and sustain investment in innovation and national infrastructure.

As implementation begins, AE Business Advisors will continue to monitor the progress of these measures and legislative developments, assisting clients and stakeholders in understanding their implications and opportunities for strategic planning.

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