THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM

2027

MALTA Budget

26 October 2026

Understanding the key measures and the RSM Malta perspective



Budget at a glance

An overview of Malta's Budget 2027

01 Economic outlook and fiscal position

02 Investment, innovation and growth sectors

03 Reduced corporate tax rate for small businesses

04 Personal tax measures

05 Stricter VAT compliance

06 Third-country nationals: Higher costs and narrower eligibility

07 Tourism pays more towards its infrastructure



Key themes in consideration



01 Productivity-led growth and business investment

The Budget signals a shift from labour-led to productivity-led growth. The proposed 25% corporate tax rate for retained or reinvested profits of companies with annual turnover of up to €1 million, together with continued support for digitalisation and automation, is intended to reward business investment. As the detailed conditions have yet to be published, businesses should begin assessing their investment, financing and distribution plans.



02 Targeted cost of growth and compliance

Rather than increasing headline income tax, VAT or social security rates, the Government is placing more of the cost of growth on activities that generate additional infrastructure and administrative demands, including the employment of third-country nationals and tourist accommodation. At the same time, VAT compliance is becoming more targeted and enforcement-led.



03 Household support and stable operating environment

For individuals and households, tax reductions for families with children will continue through 2027 and 2028, while energy prices are expected to remain stable through continued Government support.



04 Implementation details and next steps

Several measures remain subject to detailed rules still to be published, and we will share updates as these emerge. To discuss how Budget 2027 may affect your business or personal tax position, please get in touch with RSM Malta.

Economic outlook and fiscal position

Stable public finances, with energy support still the main pressure point.

> Malta enters 2027 from a position of strength: growth remains well above the EU average, inflation is below the euro area, and both the deficit and debt are comfortably within EU limits. For businesses, this means a stable and predictable environment in which to plan and invest.
>
> RSM Malta perspective



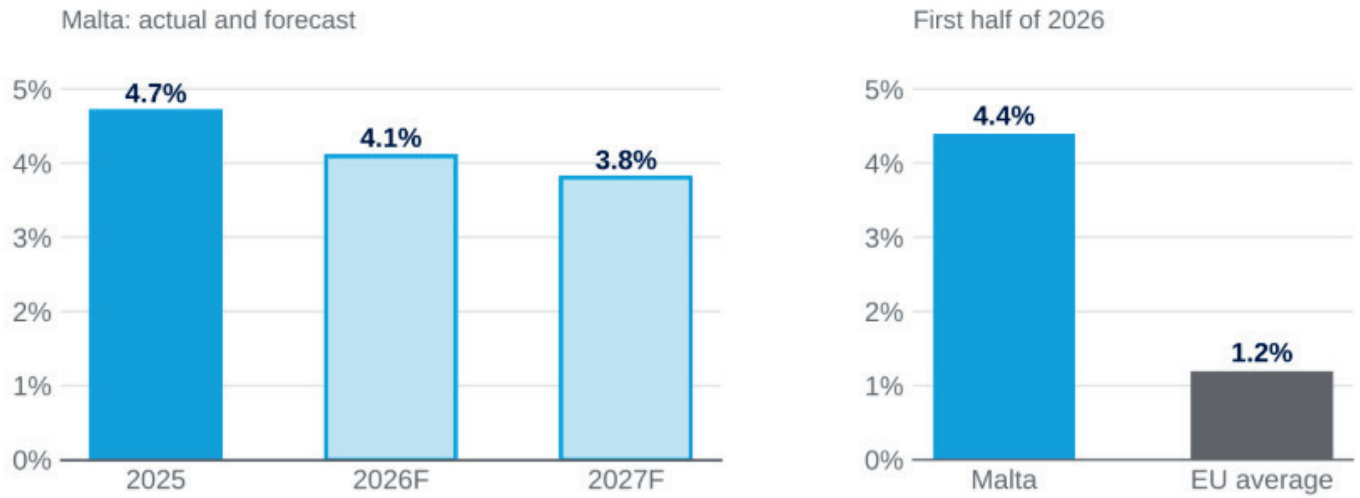
Economic outlook and fiscal position

Growth stays strong

The economy grew by 4.7% in 2025 and 4.4% in the first half of 2026 (EU average 1.2%), easing to a forecast 4.1% in 2026 and 3.8% in 2027.

Real GDP growth

Growth moderates but stays well above the EU average



Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis. F = forecast.

Economic outlook and fiscal position

Tight labour market and contained inflation

Unemployment is forecast at 3.3% in 2026 and 3.2% in 2027. Inflation stood at 2.4% in September against 3.8% in the euro area, and COLA is set at €6.41 per week.

Energy prices kept stable

Energy prices are being kept stable at a cost of about €392 million in 2026 and €400 million in 2027 (over €1.35 billion since 2022).

Revenue

Revenue is expected to reach €10.1 billion in 2027 (+€1.0 billion), with no increases in income tax, VAT or social security rates. Part of the extra revenue comes from targeted levies on tourism (c. €182m) and third-country work permits (c. €80m

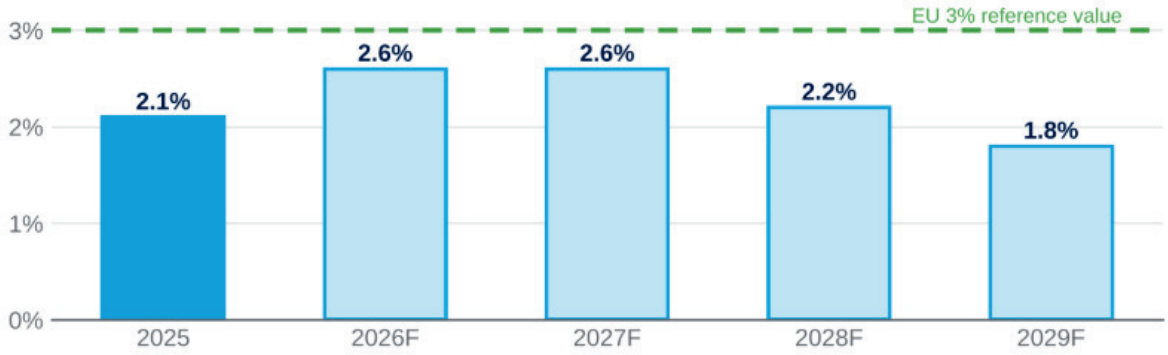
Economic outlook and fiscal position

Deficit below 3%

The deficit was 2.1% in 2025 (against a 3.3% forecast) and is planned at 2.6% in 2026 and 2027, then 1.8% by 2029. Energy subsidies account for about half of it. Malta exited the EU excessive deficit procedure in June.

General government deficit (% of GDP)

Energy subsidies account for about 1.4 points of the 2027 deficit



Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis.

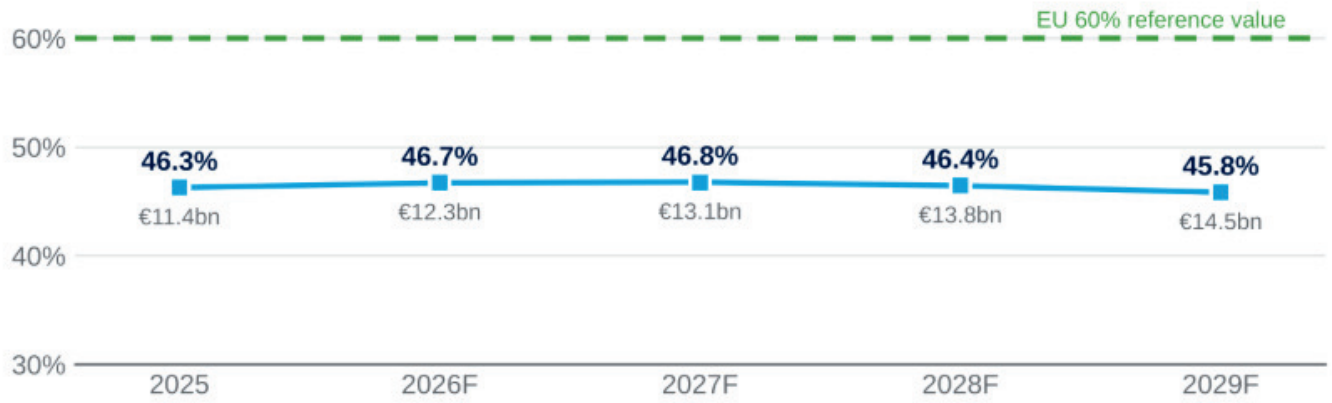
Economic outlook and fiscal position

Debt stable

Debt is stable at about 46.7–46.8% of GDP, well below the EU 60% reference value, easing to 45.8% by 2029.

General government debt

Debt ratio stable at about 46-47% of GDP, peaking in 2027



Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis.

BUDGET 2027

Investment, innovation and growth sectors

Moving Malta from labour-led to productivity-led growth.

> The Budget rewards investment in technology and people and makes labour-intensive growth costlier. Businesses should look at automation and digitalisation support to offset higher staffing costs. Many details depend on scheme rules still to be published.
>
> RSM Malta perspective



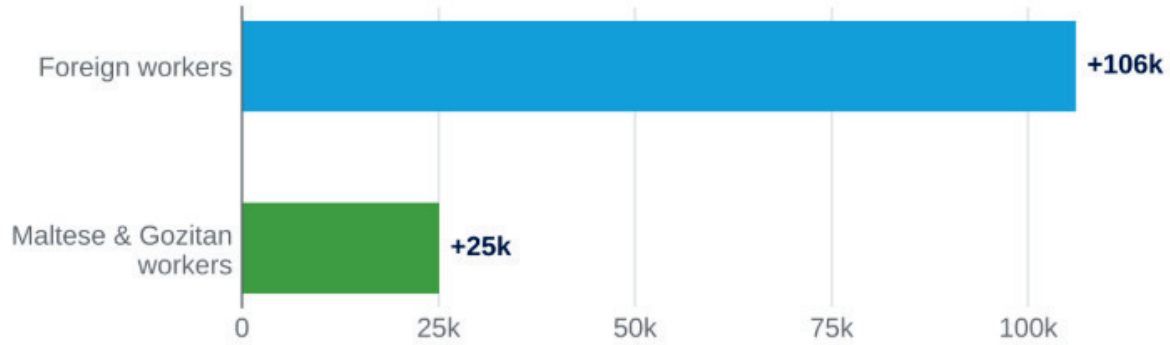
Investment, innovation and growth sectors

Less reliance on imported labour

Of around 130,000 workers added over the past decade, about 106,000 came from abroad. Higher permit fees and a new €400 infrastructure contribution signal a change of direction

Where workforce growth came from, 2015-2025

Increase in workers, thousands. About four in five new workers came from abroad

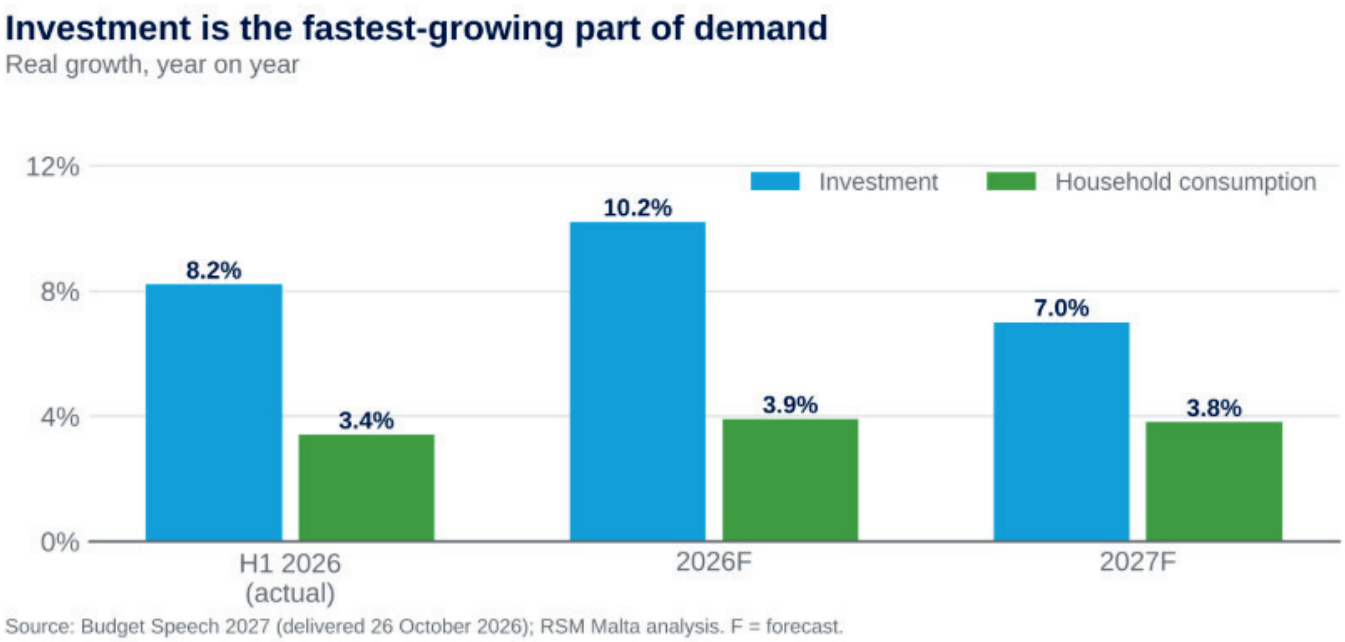


Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis. Maltese & Gozitan: c.180k (2015) to c.205k (2025).

Investment, innovation and growth sectors

Investment is leading demand

Investment rose by 8.2% in the first half of 2026, with forecasts of 10.2% in 2026 and 7.0% in 2027.



Investment, innovation and growth sectors

Reinvestment rewarded

Malta Enterprise incentives for digitalisation, automation and higher-value investment continue, all 2026 schemes are renewed, and the new 25% rate applies to retained profits of small companies (see Section 3).

Growth niches

Family offices, crypto, fintech and aircraft leasing are identified as growth niches, with continued work with the regulator and MFSAC on the framework.

Tourism and connectivity

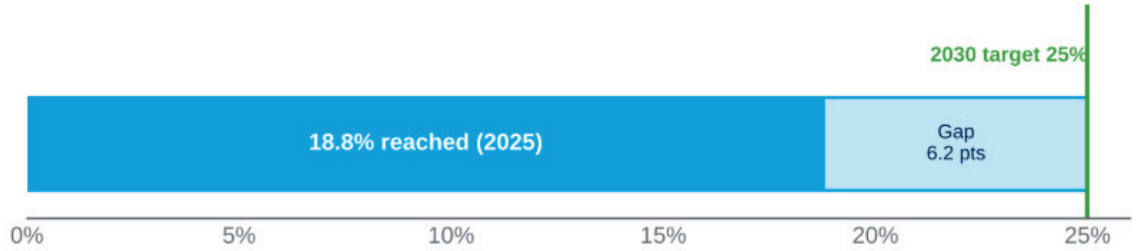
Airline incentives are refocused on shoulder and winter months and higher-quality tourism. Talks are under way with a strategic partner for KM Malta Airlines.

Investment, innovation and growth sectors

Energy infrastructure

€75 million will go to distribution in 2027, alongside a second interconnector with Sicily, and studies on a third interconnector and a 300MW offshore wind farm. Renewables reached 18.8% in 2025, against a 2030 target of 25%.

Renewable energy share
Progress towards Malta's 2030 target



Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis.

Capital programme

A capital programme of almost €1.5 billion is planned for 2027 (about €390 million from EU funds), including Msida Creek, Pinto and Lascaris, shore-to-ship power (by end-2028) and the Mater Dei Emergency Department extension.

Reduced corporate tax rate for small businesses

A lower tax rate on profits kept in the business.

The introduction of a 25% corporate tax rate for retained or reinvested profits, applicable to companies with turnover not exceeding €1 million, represents a significant change to the taxation of smaller businesses.

The measure is expected to increase the post-tax funds available for reinvestment within eligible companies. Businesses should evaluate the potential implications on profit retention, shareholder distributions, financing structures and planned capital expenditure, particularly in light of the distinction between retained earnings and profits distributed as dividends. Further details are expected once the framework is published

RSM Malta perspective



Reduced corporate tax rate for small businesses

The Government will introduce a new framework under which companies with an annual turnover of up to €1 million will be eligible for a 25% corporate tax rate instead of 35%.

A key condition

The reduced 25% tax rate will apply only to:

- Profits retained within the company; or
- Profits reinvested into the business.

Where profits are distributed as dividends, the standard 35% corporate tax rate will continue to apply.

Reduced corporate tax rate for small businesses

Illustrative example

Assumption: company turnover is below €1,000,000 and profits qualify for the new 25% rate because they are retained or reinvested in the business

Corporate tax reduction (35% to 25%)

	Current system	Budget measure
Annual turnover	€800,000	€800,000
Taxable profit	€200,000	€200,000
Corporate tax rate	35%	25%
Corporate tax due	€70,000	€50,000
Profit retained after tax	€130,000	€150,000
Additional cash available	–	**€20,000**

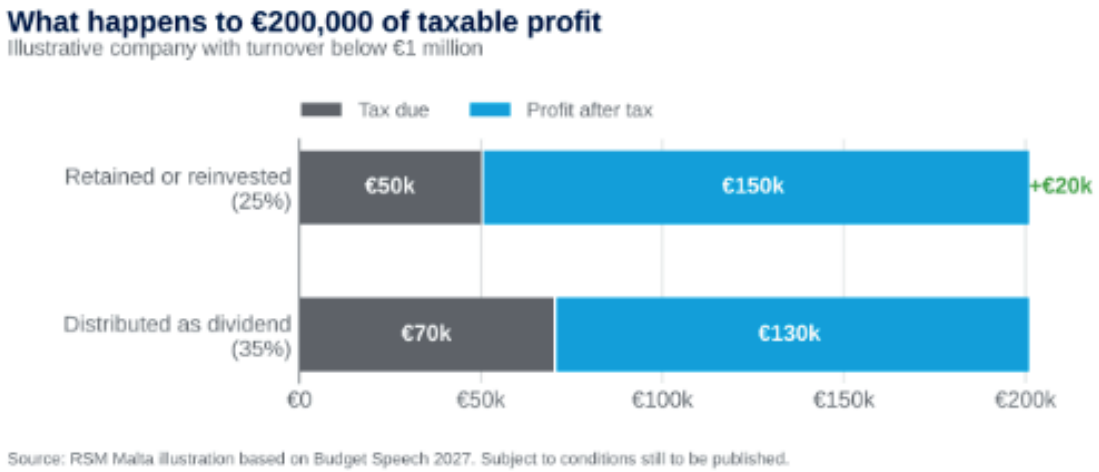
Retained profits vs dividend distribution

	Retained and/or reinvested profit	Distributed profits as dividend
Taxable profit	€200,000	€200,000
Applicable tax rate	25%	35%
Tax due	€50,000	€70,000
Profit after tax	€150,000	€130,000
Tax saving	**€20,000**	**€0**

Reduced corporate tax rate for small businesses

Illustrative example

Assumption: company turnover is below €1,000,000 and profits qualify for the new 25% rate because they are retained or reinvested in the business



Source: RSM Malta illustration based on Budget Speech 2027. Subject to conditions still to be published.

BUDGET 2027

Personal tax measures

Changes affecting individual taxation, payroll and compliance.

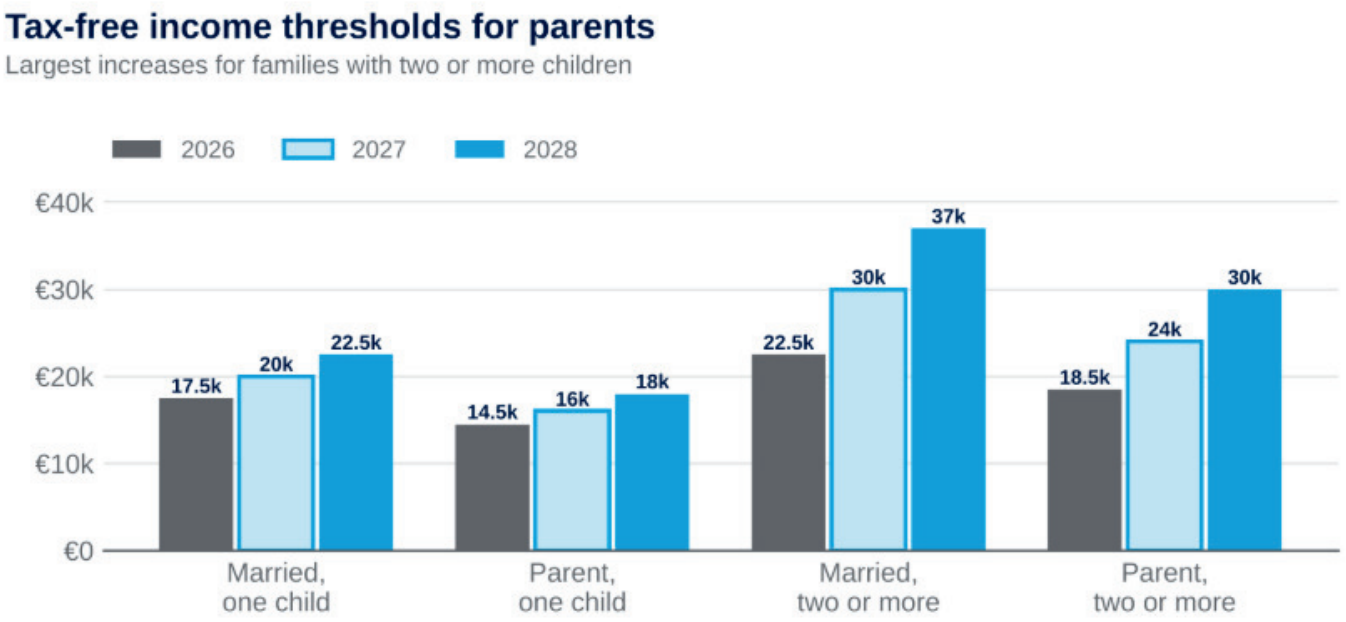
> Collectively, these measures introduce a number of changes affecting individual taxation, payroll administration and tax compliance. Businesses should assess the operational, payroll and communication implications arising from the new measures, while individuals may wish to review their personal tax position and financial planning arrangements in light of the updated framework.
>
> RSM Malta perspective



Personal tax measures

Changes to personal tax for parents

Tax reductions for parents will continue in 2027 and 2028, with separate tax bands being introduced for families with one child and those with two or more children. By 2028, the tax-free threshold for married couples with two or more children will increase to €37,000.



Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis. 2026 = current threshold.

Personal tax measures

Separate tax returns for spouses

Individual tax returns will become the default filing method for married couples and civil partners, while joint filing will remain available on an opt-in basis.

Tax treatment of airspace sales

The transfer of airspace rights will be subject to enhanced disclosure requirements, stronger valuation safeguards and taxation based on the economic substance of the transaction. The new rules will apply prospectively following stakeholder consultation.

Super bonus

A tax-free bonus of up to €1,000 will be paid during the first quarter of 2027 and will be calculated based on an individual's 2025 income.

BUDGET 2027

Stricter VAT compliance

A more targeted, enforcement-led approach to VAT.

> VAT can no longer be an afterthought. Businesses will need to build VAT compliance into their day-to-day operations and transaction planning as MTCA moves towards a more targeted, enforcement-led approach.
>
> RSM Malta perspective



Stricter VAT compliance

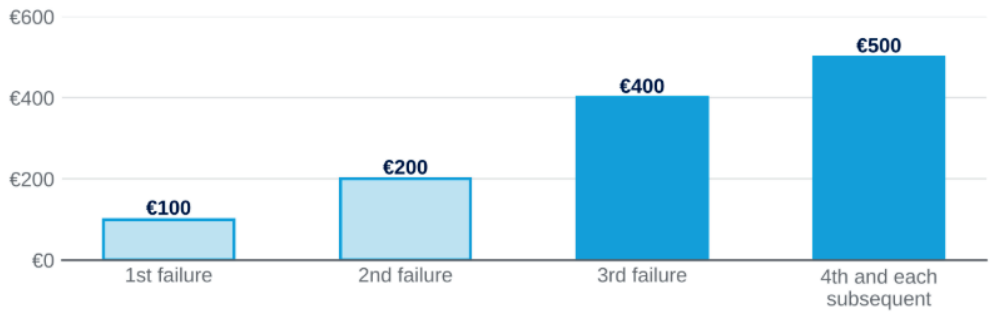
New VAT mechanism in the construction sector

The Tax in Danger Scheme will become compulsory in the construction sector, alongside a new VAT mechanism for qualifying transactions. Rather than paying VAT to the supplier, the business customer will account for the VAT directly, while retaining the right to recover it where eligible domestically. This is intended to reduce VAT abuse and strengthen compliance across the sector.

Penalties for VAT invoices and fiscal receipts

Failures to issue correct VAT documentation will attract escalating administrative penalties of €100 for the first failure, €200, €400 and €500 for the fourth and each subsequent failure within a 24-month period. Payment within 30 days will extinguish the related criminal liability. Each infringement will also increase the business's MTCA risk score, potentially triggering closer scrutiny, inspections or audits.

Administrative penalties for incorrect VAT invoices and receipts
Per failure within a 24-month period. Four failures total €1,200



Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis. Payment within 30 days extinguishes criminal liability.

Stricter VAT compliance

VAT exemption on food

New guidance will clarify the VAT exemption for ready-to-eat food sold by supermarkets, minimarkets and convenience shops, particularly where these supplies compete with restaurant offerings. The objective is greater certainty and more consistent treatment across the sector.

BUDGET 2027

Third-country nationals: Higher costs and narrower eligibility

Higher costs for employing non-EU staff and narrower access to publicly funded benefits.

> Taken together, these measures indicate a policy shift towards limiting certain publicly funded benefits to citizens, resident EU nationals and Long-Term Residents. Combined, they signal a greater emphasis on long-term residency and a more targeted approach to labour market and public expenditure policies.
>
> RSM Malta perspective



Third-country nationals: Higher costs and narrower eligibility

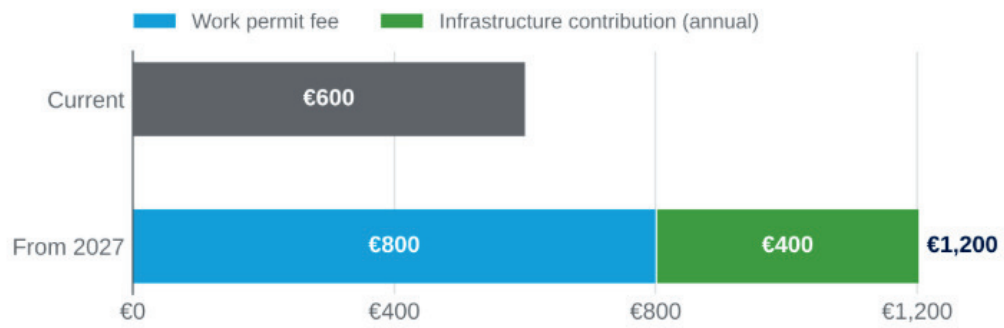
Higher work permit application fees

The Minister announced that the fee for a new work permit application for third-country nationals will increase from €600 to €800 per person.

€400 annual infrastructure contribution

An additional €400 annual infrastructure contribution will apply to both new and renewed work permits for third-country nationals, with certain exemptions such as minors.

Government charges for a new third-country worker
First year, per person



Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis. The €400 contribution also applies on each renewal.

Third-country nationals: Higher costs and narrower eligibility

Free public transport

From January 2027, free public transport will be available only to Maltese and Gozitan citizens, resident EU citizens, and Long-Term Residents. Other categories of residents will no longer qualify.

Driving license rules for non-EU license holders

Non-EU license holders will generally be permitted to drive in Malta for up to 12 months, after which a Maltese or EU license will be required. An administrative charge of €83 per month will apply to certain Category B and B1 license holders, subject to various exemptions.

Atypical Work Tax Refund Cheque

From 1 January 2027, eligibility for the Atypical Work Tax Refund Cheque will be restricted to Maltese and Gozitan citizens, resident EU citizens, and Long-Term Residents. Other resident categories will no longer qualify.

Free Childcare Scheme

Existing beneficiaries will retain access to free childcare until they cease to qualify. New applicants from 2027 onwards must be Maltese or Gozitan citizens, resident EU citizens, or Long-Term Residents to qualify.

BUDGET 2027

Tourism pays more towards its infrastructure

Visitors will contribute more towards the infrastructure supporting Malta's tourism economy.

> As tourism is expected to contribute more towards Malta's infrastructure, operators should factor visitor levies into pricing, budgeting and customer communications.
>
> RSM Malta perspective

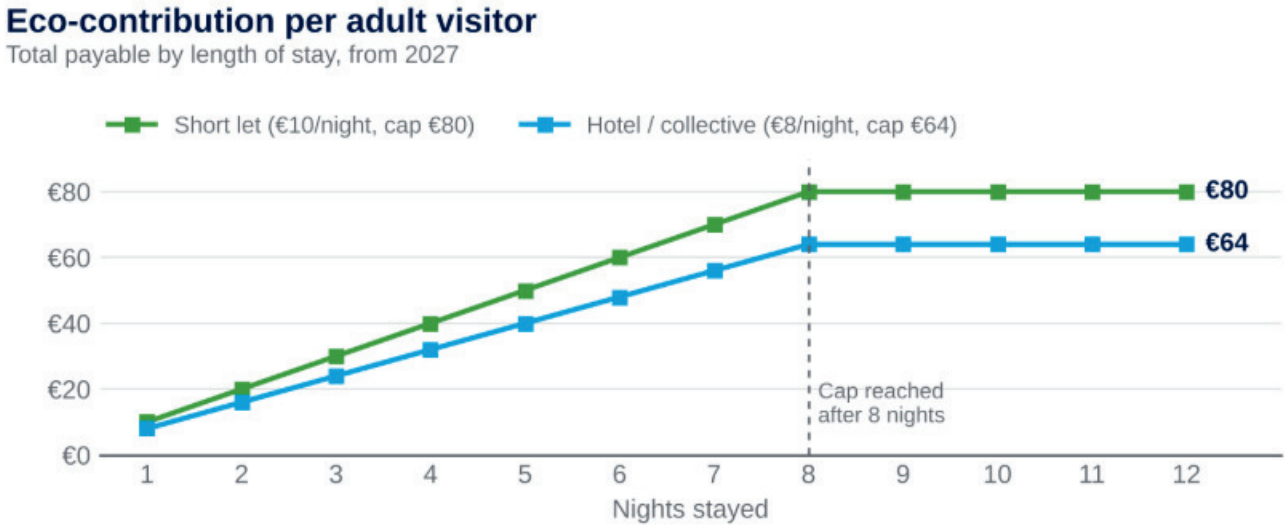


Tourism pays more towards its infrastructure

Accommodation eco-contribution

From 2027, tourists staying in hotels and other collective accommodation will pay €8 per person per night, capped at €64 per person. Tourists staying in short-let apartments and holiday rentals will pay €10 per person per night, capped at €80 per person. The charge will continue to apply to visitors over 18.

The revised accommodation contribution is expected to generate approximately €182 million, reflecting Government's policy that the tourism sector should contribute more towards the infrastructure and resources supporting Malta's tourism economy.



Source: Budget Speech 2027 (delivered 26 October 2026); RSM Malta analysis. Applies to persons over 18.

Tourism pays more towards its infrastructure

Cruise passengers and Comino

A new €10 eco-contribution will apply to cruise passengers who disembark in Malta and subsequently re-embark on the same cruise liner. Passengers starting their cruise from Malta will not be subject to this charge.

A new €5 eco-contribution will apply to tourists visiting Comino, collected through the booking system.

English-language schools

From next year, the requirement for English-language schools to pay the accommodation eco-contribution will be removed.

Hospitality and short-let operators should review their pricing, booking disclosures and processes for collecting the eco-contribution, particularly given the substantially higher amounts involved.

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM

For further information or guidance on the Budget, please contact our Tax team.

RSM Malta
Mdina Road
Żebbuġ, ZBG 9015
Malta

T: +356 2278 7000

E: info@rsm.com.mt

rsm.com.mt

© RSM Malta, 2026