



## Tax Related Highlights of the Malta Budget 2025



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### Economic overview

In 2023, Malta saw a robust 7.5% increase in real Gross domestic product (“GDP”), with continued growth projected at 4.9% for 2024 and 4.3% for 2025. Inflation is expected to decline from 5.6% in 2023 to 2.5% in 2024 and 2.1% in 2025, following regional trends across the Eurozone.

The labour market remains strong, with an 81.3% participation rate, far above the European Union (“EU”) average of 75.3%. The unemployment rate stands at a low of 3.5%.

Malta's fiscal deficit is anticipated to stay above 3%, now projected at 4.0% for 2024, then declining to 3.5% in 2025, 3.0% in 2026, and 2.6% in 2027. The debt-to-GDP ratio, currently at 47.4%, is expected to rise to 49.5% in 2024 and 50.1% in 2025 before decreasing. By the end of 2024, government debt is projected to reach €11,100,000,000.

### Cost-of-Living Adjustment (“COLA”) and Increase in Minimum Wage

- The COLA is expected to be €5.24 per week, reflecting a smaller inflation increase than in previous years.
- The minimum wage will rise by €8.24, reaching €221.78 per week, as agreed upon last year by social partners and the Government.

### Selected fiscal measures

- Resident individuals' progressive income tax rates for singles, married couples, and parents will be adjusted as shown in the table below:

Single		Married		Parent	
Income (€)	Rate	Income (€)	Rate	Income (€)	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+	35%	60,001+	35%	60,001+	35%

- Increase in Personal Income Tax Deductions for Private School Fees:
  - Kindergarten Deduction for each child attending kindergarten will increase from €1,600 to €3,500.
  - Primary School: Deduction for each child attending primary school will rise from €1,900 to €4,600.
  - Secondary School: Deduction for each child attending secondary school will go up from €2,600 to €6,500.

- Employers will be required to offer each employee the opportunity to contribute to an occupational pension scheme, with an optional opt-out available at the employee's discretion. Private employers are not obligated to make mandatory contributions; however, the public sector is expected to match employees' contributions up to a maximum of €100 per month per employee.
- Pensions will increase by €8 per week, along with adjustments to current income tax exemptions on pension income.
- There will be an increase of €250 in the children's allowance for each eligible child, along with changes in the methodology used to calculate the allowance.
- Measures related to the Highly Qualified Persons rules will be extended.

## **Measures concerning immovable property transfers**

The following measures have been extended:

- Grant for eligible first-time buyers of immovable property.
- Reduced rates for first-time and second-time buyers.
- Tax exemption on the first €750,000 for residential properties vacant for at least seven years or in an Urban Conservation Area.
- First-time buyers will also receive a one-time grant of €15,000 for properties in Malta, increasing to €40,000 for properties in Gozo.

## **Value Added Tax ("VAT") measures**

- VAT on sanitary products and certain medical accessories will be eliminated.
- The €54,000 VAT grant for first-time property owners for construction and rehabilitation will be extended.

## **Other fiscal measures**

- The 1.5% reduced duty rate for family business transfers will continue in 2025.
- A new incentive will encourage food producers and vendors to reduce prices on near-expiry items or donate them to social programs, aiming to cut food waste and provide affordable food options for those in need.

## **International tax measures**

- The Government is engaged in ongoing discussions with the European Commission about Malta's proposed measures and incentives, including grants or Qualified Refundable Tax Credits ("QRTCs"), to ensure alignment with the Global Anti-Base Erosion Model Rules (Pillar Two) framework and EU law.

## Grants & Incentives

- To achieve a carbon-free economy by 2050, the government will support households investing in renewable energy and efficient water and energy systems.
- The private sector will be incentivized to develop large renewable energy installations.
- New buyers of electric cars, small vans, and motorcycles can receive grants of up to €8,000 for cars or vans and €2,000 for motorcycles, with new conditions.
- In 2025, electric and plug-in hybrid vehicles with a range of 50 km or more will be exempt from registration tax and annual circulation tax for five years.
- The car scrappage scheme will provide €1,000 for scrapping old cars and vans and an additional €1,000 for vehicles registered in Gozo.

## Industry and regulatory updates

- The government plans to enact new legislation regulating limited partnerships to strengthen Malta's financial services industry.
- Next year, legislation will target key sectors, including sustainable finance, family offices, aircraft rentals, fintech, and wealth management.
- In 2025, a dedicated visa for e-sports athletes will be introduced to attract professional gamers and boost the esports sector.
- Malta will also launch a Vision for 2050 to outline the country's strategic direction for enhancing citizens' quality of life.

*Disclaimer: This publication is based on the 2025 Budget Speech, where the Minister for Finance announced measures that may require new legal instruments to take effect. Details will be available when these instruments or guidelines are published.*

*Affected readers should seek professional advice tailored to their circumstances, rather than relying solely on this publication.*

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