

Malta Budget 2027

26 October 2026

Tax Highlights

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Income Tax

Income Tax

■ Revision of tax bands

- The Budget Speech develops the three-year programme of income tax reductions for families with children. Last year new tax bands were introduced for families with one child and those with two or more children, with further reductions scheduled for 2027 and 2028. Approximately 68,000 parents are expected to benefit.

■ Separate income tax returns for married couples

- The Government intends to begin reforming the income tax return system so that, as a general rule, each spouse would file an individual income tax return covering his or her own income and tax affairs.
- Couples would nevertheless retain the possibility of using a joint return arrangement, where permitted by law, through an election mechanism.

Married with One Child							
2027				2028			
From	To	Tax Rate	Subtract	From	To	Tax Rate	Subtract
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 with One Child							
2027				2028			
From	To	Tax Rate	Subtract	From	To	Tax Rate	Subtract
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 with Two or More Children							
2027				2028			
From	To	Tax Rate	Subtract	From	To	Tax Rate	Subtract
0	30,000	0%	0	0	37,000	0%	0
30,001	41,000	15%	4,500	37,001	50,000	15%	5,550
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 with Two or More Children							
2027				2028			
From	To	Tax Rate	Subtract	From	To	Tax Rate	Subtract
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

Income Tax

■ Corporate Income Tax - Small Companies

- The Government will introduce a new framework under which companies with an annual turnover not exceeding €1 million may benefit from a reduced corporate tax rate of 25%, instead of 35%.
- The reduced 25% rate will apply only to profits retained within the company or reinvested in the business. Where profits are distributed to shareholders as dividends, the 35% tax rate will continue to apply.
- Its application will be subject to the conditions and limitations set out in the relevant rules.

■ Transfer of Airspace

- The Government will introduce measures to ensure that transfers of airspace are taxed on their full economic value, supported by enhanced disclosure, valuation and verification requirements. The measures will also address arrangements involving intermediaries or developers who do not appear directly on the deed. the new framework will provide greater clarity and legal certainty to all parties.

Value Added Tax

Value Added Tax

- **New VAT mechanism for the construction sector**
 - A new VAT mechanism will be introduced in the construction sector with the aim of addressing potential VAT abuse. For transactions falling within the scope of the new mechanism, the obligation to account for VAT will shift from the supplier to the business customer. The customer will be required to calculate and declare the VAT due on the purchase and, where eligible under the applicable VAT rules, will be entitled to deduct the corresponding VAT.
 - As a result, VAT on transactions covered by the mechanism will no longer be paid by the customer to the supplier. The measure is intended to address the risk of suppliers collecting VAT without remitting it to the tax authorities, while also limiting fraudulent VAT refund claims involving false invoices or fictitious transactions.
- **Enhanced enforcement of VAT invoicing and fiscal receipt obligations**
 - A revised administrative penalty regime will be introduced in respect of failures to issue correct VAT invoices and fiscal receipts. The penalties will amount to €100 for a first default, €200 for a second default and €400 for a third default, increasing to €500 for a fourth and each subsequent default within a 24-month period.
 - Where the relevant administrative penalty is paid within 30 days, the criminal liability associated with the default covered by that penalty will be extinguished. Information on such defaults will also feed into the tax administration's risk-assessment system, increasing the risk score of the business concerned and, consequently, the likelihood of selection for an audit, inspection or investigation.
 - The measure is intended to allow VAT infringements to be addressed more efficiently through administrative penalties while enabling the tax authorities to target potential VAT evasion through risk-based scrutiny.
- **Clarification of the VAT exemption for food**
 - Guidelines are being developed to clarify the application of the VAT exemption for food, with particular focus on ready-to-consume food sold by supermarkets, minimarkets and convenience shops, which compete both amongst themselves and with restaurants.
 - The guidelines are intended to provide greater certainty to operators as to the VAT treatment applicable to their supplies and to promote the fair, correct and consistent application of the exemption across the sector. The stated objective is also to avoid differing interpretations resulting in an unfair competitive advantage for certain operators.

Eco-Contribution

Eco-Contribution

■ Accommodation

- As from 1st January 2027, the eco-contribution payable by tourists aged over 18 will be charged as follows:
 - Collective accommodation: €8 per night, capped at €64 per person.
 - Short-let accommodation: €10 per night, capped at €80 per person.
 - English-language school accommodation: the eco-contribution will be removed.

■ Cruise-liner passengers

- A new €10 eco-contribution will be introduced for cruise liner passengers who:
 - disembark in Malta during their cruise; and
 - subsequently re-embark on the same cruise liner.
- The €10 charge will not apply to passengers who start their cruise from Malta.

■ Comino

- A new €5 eco-contribution will be charged on every tourist visiting Comino.

Other Measures

Other Measures

■ Work Permits

- Work permit fees for non-EU workers will increase, with new applications rising from €600 to €800 and a new €400 annual infrastructure contribution applying to both new applications and renewals, except for minors. Other permits issued by Identità will have their fees increased.

■ Vessel registrations

- Annual registration fees for recreational vessels between 10 and 24 metres will increase to recoup part of the fuel subsidy they benefit from, with higher charges applying according to vessel length.
- Professional fishermen and vessels under 10 metres are exempt.

■ Schemes

- The Government announced that all incentive schemes currently in place will be extended for a further year, irrespective of the sector or nature of the scheme. These include, amongst others, schemes relating to property acquisition and renovation, non-governmental and sports organisations, electric vehicles and renewable energy.

Team



**Dr Robert
Attard**

Tax Partner



**Bernard
Bonnici**

Tax Director



**Saviour
Bezzina**

Tax Director



**Roderick
Borg**

Tax Director



**Keith
Caruana**

Tax Senior
Manager

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