



MALTA BUDGET 2025

Highlights

Background

- In a fluid international climate, the overarching theme of Budget 2025 is fostering 'A country of quality'.

Economic Outlook

- In line with the 2023 trend, the European Commission forecasts that Malta will continue to be at the forefront of the EU economic growth in 2024 and 2025. The EU economy expects an expansion of 1.0% in 2025 and 1.6% in 2026. In comparison to the expected 4.9% and 4.3% in Malta.
- The economy is projected to reach a GDP of €22.3 billion in 2024, with government revenues at €7.2 billion and expenditures at €7.8 billion. Government debt is anticipated to reach €11.1 billion, while interest payments are expected to rise to €263 million.
- Inflation is expected to decrease to 2.5% in 2024 and 2.1% in 2025. This is in line with regional trends across the Euro-Zone.
- Malta's employment rate was of 81.3% in 2023, with the unemployment rate projected to be 3.5% in 2024. In August 2023, the monthly unemployment rate was 2.7%.
- The cost of living adjustment for 2025 will be of €5.24. Student stipends shall increase pro rata. There will be €8 weekly increase, or €416 yearly increase, in pensions, including COLA.
- The national minimum wage will increase by €8.24 per week, reaching €221.78 per week and will remain untaxable.



Fiscal & Tax

Personal Income Tax

One of the key measures announced is the widening of income tax brackets for tax residents, applicable to single individuals, married couples, and parents. This adjustment is expected to result in annual tax savings ranging from €345 to €675 for each taxpayer. The updated rates are as follows:

SINGLE COMPUTATION					
Current Rates			New Rates		
Range	Rate	Subtract	Range	Rate	Subtract
€0 – €9,100	0%	0	€0 – €12,000	0%	0
€9,101 – €14,500	15%	€1,365	€12,001 – €16,000	15%	-€1,800
€14,501 – €19,000	25%	-€2,815	€16,001 – €60,000	25%	-€3,400
€19,501 – €60,000	25%	-€2,725			
€60,001	35%	-€8,825	€60,001+	35%	-€9,400

MARRIED COMPUTATION					
Current Rates			New Rates		
Range	Rate	Subtract	Range	Rate	Subtract
€0 – €12,700	0%	0	€0 – €15,000	0%	0
€12,701 – €21,200	15%	€1,905	€15,001 – €23,000	15%	-€2,250
€21,201 – €28,700	25%	-€4,025	€23,001 – €60,000	25%	-€4,550
€19,501 – €60,000	25%	-€2,725			
€60,001	35%	-€9,905	€60,001+	35%	-€10,550

PARENT COMPUTATION					
Current Rates			New Rates		
Range	Rate	Subtract	Range	Rate	Subtract
€0 – €10,500	0%	0	€0 – €13,000	0%	0
€10,501 – €15,800	15%	€1,575	€13,001 – €17,500	15%	-€1,950
€15,801 – €21,200	25%	-€3,155	€17,501 – €60,000	25%	-€3,700
€21,201 – €60,000	25%	-€3,050			
€60,001	35%	-€9,050	€60,001+	35%	-€9,700

The financial compensation payment colloquially referred to as the Tax Refund Cheque will also be extended to 2025.

- 80% of pension income received in the basis year (BY) 2025 will not be considered as taxable income for pensioners who continue working beyond retirement age.
- Parents with children enrolled in independent private schools will benefit from the following increased deductions against their taxable income; Kindergarten – €3,500, Primary Schools – €4,600 & Secondary Schools – €6,500

In conjunction with the ongoing efforts to promote the establishment of back-office operations in Malta, the Highly Qualified Persons (HQP) Rules will be extended to include professionals in back-office services.

International Tax

As highlighted in last year's budget, the OECD's Pillar 2 initiative established a global minimum tax rate of 15% for large multinational companies, implemented in the EU through a Directive effective from 31st December 2023. Malta has chosen to defer the application of this Directive and is in ongoing discussions with the European Commission regarding planned measures, such as grants or tax credits (QRTCs), to ensure these align with EU regulations.



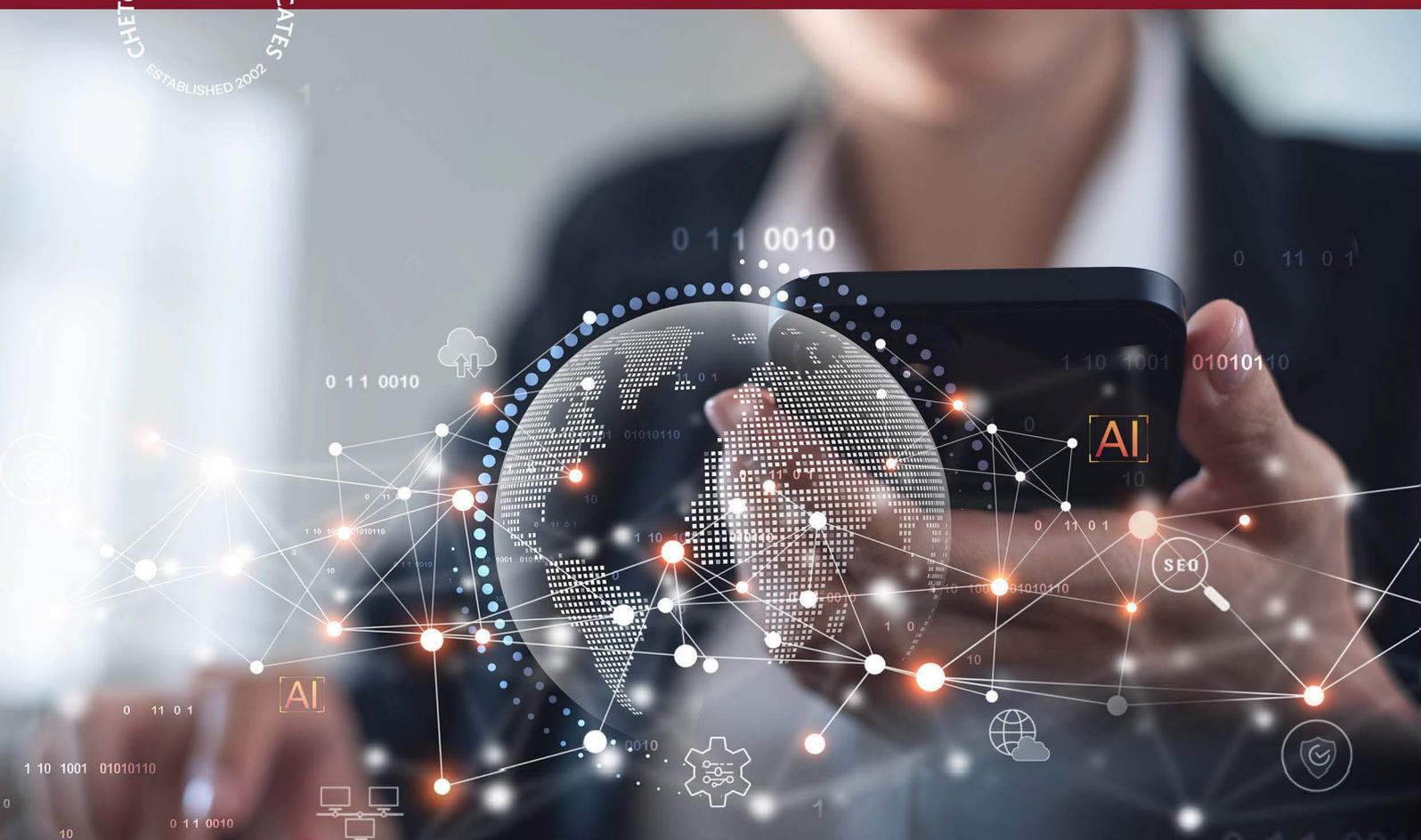
Other Fiscal Developments

- The reduced stamp duty rate of 1.5% on certain business transfers to descendants has been extended.
- Excise duty on certain beers and wines from small, independent Maltese breweries will be lowered, with the calculation method shifting from Plato degree to ABV%.
- The VAT rate on essential sanitary products will be lowered to 0%. This reduction will also extend to medical accessories for women undergoing cancer treatment.
- Enterprises donating to social, environmental, and animal welfare initiatives will also receive a tax credit of up to €500.

Grants and Incentives

Technology and Innovation Incentives

- Amongst other references to AI, the re-alignment of the AI strategy initially issued in 2019 was referenced as was the setting up of a new unit for AI in Malta.
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- The European Digital Innovation Hub forms part of the technology-related incentives. This hub will act as a community of startups for services such as accelerator, incubator and mentorship, as well as providing access to high-performance computers for research purposes.
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- A Digital Identity Wallet was announced, which is aimed at allowing citizens to share their identity through an app on their smartphone. This aligns with recent updates to the eIDAS Regulation, requiring Member States to provide such a digital identity wallet.
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- From a fintech perspective, the Government announced that legislation will be enacted to attract business in the sectors of AI and fintech, including legislation on limited partnerships.



Gaming

- Gaming amounted to 7% of Malta's GDP in 2023, employing over 16,000 jobs.
- In the gaming sector, mention was made of investment in esports particularly through the introduction of a visa for esports athletes.

Start-Ups

- The development of a new SME park has been announced, which will accommodate automotive service technicians and mechanics.
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- The Seed Investment Scheme has been relaunched, offering incentives for

Films

- The Creative Malta scheme is set to receive an increased funding allocation of €2 million to support local film producers and boost the Maltese film industry. The government is also prioritizing the conservation of heritage sites and enhancing cultural activities, emphasizing the significance of cultural investment in promoting community engagement and driving economic growth.
- The increase in funding arises from ongoing discussions regarding the need to better balance support for foreign productions with investment in local talent.
- The 2025 budget includes additional cultural investments, such as the €15 million Culture Hub project in Marsa and various restoration initiatives.

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Legal & Regulatory Developments

- In 2025, new legislation relating to Limited Partnerships will be implemented, with the aim to strengthen the financial services industry.
- A Commercial Court is to be established in 2025. This will not only create a more efficient judicial system but will also contribute to dedicated knowledge. Furthermore, a public consultation is currently ongoing relating to reforms to the Family Court.
- The Malta Financial Services Advisory Council (MFSAC) identified 59 projects, of which 19 have been completed. New legislation will enhance Malta's appeal in key sectors, including sustainable finance, family office services, aircraft leasing, fintech, and wealth management.

Dedicated Visa for Esports Athletes

- In 2025, a dedicated visa for esports athletes will be introduced to attract professional gamers and further support the growth of the esports industry in Malta. This initiative aims to promote and facilitate talent mobility, building on the success of international teams like Furia and Talon Esports, which have already selected Malta as their European headquarters.



Property

- The current tax incentives applicable to property improvements and individuals buying or selling properties that are over 20 years old and have been vacant for more than seven years, as well as to those dealing with properties in urban conservation areas (UCA) will be extended.
- First-time buyers of eligible properties are to continue benefitting from a one-time grant.
- VAT refunds for expenses incurred in the restoration and finishing of properties located in an Urban Conservation Area (UCA) will continue for those built for more than 20 years and vacant on the transfer date, or new properties developed in accordance with approved criteria.
- A new emphyteusis-redemption scheme directed specifically towards the redemption of temporary emphyteusis shall be introduced. This is expected to widen the eligibility on current and past schemes.



Social Support Measures

Pensions

- Employers will be required to provide employees with the option to contribute to occupational pension schemes. Pensions will increase by €8 per week, inclusive of the cost-of-living adjustment. For persons born on or after 1976, the number of years of social security contributions to be paid or credited for a person to receive a full pension shall be increased from the present 41 years to 42 years.

Family Benefits

- Children's allowance shall increase by €250 per child. Persons working atypical hours in certain sectors shall continue to receive a grant of €150. The bonus given to families for having a third and subsequent child shall increase from €1,000 to €1,500. Other measures introduced include increases in fostering allowances, marriage grant, further support to people with disabilities, the voluntary sector, and low- and medium-income families.



Employment

Several new measures that shall be introduced include:

- Amendments are expected to wage regulation orders. These are targeted to address anomalies in relation to overtime work, pay on public and national holidays and others.
- Discussions are undergoing with the aim of concluding collective agreements to improve the conditions of employment within the public sector.
- Jobsplus will work on mentoring programs to incentivize pensioners to work as mentors in relevant industries, whilst being paid a reimbursement which will not affect their pension.
- Equal pay for equal work – a new law enforcing equal pay for work of equal value to be enforceable as of 1st January 2025.



Environment

Environment and Sustainability

- The existing schemes supporting the installation of photovoltaic panels, batteries, reverse osmosis systems, heat pumps, and the restoration of wells will remain in effect.
- The government will continue its electric and plug in-hybrid vehicle subsidy next year but will reduce the maximum amount from €11,000 to €8,000 per car. Nevertheless, those who signed purchase contracts by the announcement date will still receive the full current subsidy. Starting in 2025, the funding for these subsidies will shift from EU funds to national sources.
- Currently, 6 zones have been identified to house renewal energy projects. A Strategic Environment Assessment has highlighted 2 main zones. Nearshore solar energy production and floating wind farms are being considered.



Vision 2050

The Vision for 2050 will serve as a plan for the economic, social, and environmental development of the country. It will also factor in the EU target of carbon-neutrality by 2050. Technology and AI will also be included in areas which will be addressed in the Vision 2050 strategy announced by the Government during the budget speech, as part of ensuring a high quality of life for future generations.

A public consultation has been opened, and Vision 2025 is to be launched at the end of 2025.

What Does This Mean for You?

With several geo-political schisms and uncertainties, global economic forecasts are generally conservative. According to the forecasts of the European Commission, Malta is expected to experience the greatest economic growth among the countries of the European Union in the coming years as inflation continues to decrease.

With the advent of new incentives and policies aimed at media, personal taxation, real estate and technology, amongst other areas, Malta retains its relevance as a country of choice for relocation of personal and business interests.



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