

MALTA BUDGET 2025: Key Highlights



1. ECONOMIC HIGHLIGHTS

1.1 ECONOMIC OUTLOOK

On the 28th of October 2024, Finance Minister Clyde Caruana presented the budget measures for 2025. During his speech, the Minister highlighted the global challenges which the European Union has been facing over the past few years, in particular the effects of energy prices and climate change.

Despite this, according to forecasts published by the EU Commission, EU's economy is expected to grow by 1% in 2024 and by 1.6% in 2025. Notwithstanding this, Malta is expected to have the biggest economic growth in the EU, with the real GDP having increased by 5.9% in the first half of 2024.

Employment rate in 2023 was reported at 81.3% (increased by 6.1%) whilst that reported in the EU was 75.3%.

Malta's economic growth rate by the end of the year is expected to reach 4.9% in real terms, driven by:

- An increase in employment rate of 4.6%
- An inflation rate of 2.5%





2. SOCIAL MEASURES

2.1 NEW PERSONAL TAX RATES FOR YEAR OF ASSESSMENT 2026 (BASIS YEAR 2025)

| Single | | Married | | Parent | |
|---------------|----------|---------------|----------|---------------|----------|
| Tax band | Tax rate | Tax band | Tax rate | Tax band | Tax 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% |

2.2 COST OF LIVING ALLOWANCE (COLA) AND LABOUR MARKET INCENTIVES

The cost of living allowances applicable to all workers, pensioners and social benefits beneficiaries will amount to €5.24 per week. Students will also receive a pro-rata increase.

The minimum wage will increase by €8.24 per week to reach €221.78 per week. Moreover, the minimum wage will remain untaxed through the change in the tax brackets. People working unsocial hours in certain sectors will continue to receive the work benefit of €150.



2. SOCIAL MEASURES (Cont.)

2.3 CHILDREN'S ALLOWANCE

Children's allowance will increase by €250 per child per year.

2.4 PENSIONS

Individuals who are eligible to receive a pension, who are estimated to be around 100,000 pensioners, will experience an increase of €8 per week, or €416 yearly. This increase already reflects the increase in COLA for the year. The 2022 budget introduced a gradual exemption from tax on pension income. The portion that will be exempt from tax for 2025 will be increased by 20% to 80%.

The 2006 pensions reform created a discrepancy in the pensions chargeable to tax of individuals born before 1962 versus of those born after 1962. In efforts to reduce the impact of this discrepancy, and achieve more consistency, an additional adjustment will apply to individuals who were born pre-1962, and whose income would have exceeded €23,500 yearly.



2. SOCIAL MEASURES (cont.)

2.4 PENSIONS (Cont.)

Exemptions on pension income will be adjusted in line with the increases proposed, whilst widows will benefit from an increase in pensions that will kick in in year 4 of its introduction, such that, by 2027 all widowed pensioners will be receiving the full pension to which their late spouse would have been entitled to.

Measures will be introduced such that by 2027, all pensioners will benefit from the same bonus, irrespective of when retirement took place. By 2027, it is expected that every pensioner will be entitled to the highest bonus rate of €21.53 weekly, which will become payable with the pension payment. It was also announced that the service pensions will increase by an additional €200 per annum.

Individuals who do not qualify for a pension on the basis that the social security payments do not reach the prescribed minimum, will receive a bonus which is adjusted in accordance with the total social security payments made over the years. As from next year, such bonuses are expected to range from €550 (for individuals who paid a least one year's social security contributions) to €1,000 (for individuals who paid up to 9 years' social security contributions).



2. SOCIAL MEASURES (Cont.)

2.4 PENSIONS (Cont.)

In order to sustain the increases proposed with regards to pensions, as mentioned above, the number of years of social security contributions, as minimum, required in order to be eligible for a full government pension will increase by a year.

This will mostly impact individuals born in 1976 onwards. Having said this, the retirement age as well as contributions for social security, will remain unchanged as long as the individual started paying social security contributions at least by the age of 23.

2.4.1 OCCUPATIONAL PENSIONS

Employers will be required to offer to their employees the possibility of putting in place an occupational pension scheme, towards which the employee may refuse to contribute. In case of public service workers, the Government will contribute (as an employer) by matching the employee's contribution by up to €100 per month. However, private sector employers are not required to financially contribute towards the occupational pension scheme.

The occupational pension schemes will benefit from the same tax credits available to private pension schemes (25% of the contribution up to €750 per annum).



2. SOCIAL MEASURES (Cont.)

2.5 CARERS' ALLOWANCE AND BENEFITS ASSOCIATED WITH DISABILITY

The Minister announced a new benefit which will be known as Medical Social Assistance specifically created for people who suffer from conditions that make them unable to work. In addition to cost-of-living increase, these families will receive an additional increase of €5 per week for each family member. In 2025 there will be the following weekly increases in both Assistance for Persons with Disabilities and those for Carers:

| Assistance | Weekly increase |
|--|-----------------|
| Severe Disability Assistance | €3.49 |
| Increased Assistance for Severe Disability | €7.42 |
| Disability Assistance | €3.49 |
| Added Assistance for Carers | €5.24 |
| Assistance for Carers | €5.24 |
| Allowance to families with children suffering from a physical or mental disability | €5 |

From 2025, a change in the right to Carers Grant will allow such grant to be paid to parents who do not work, who have children with disabilities under the age of 16, whose condition is considered to be very severe, requiring continuous care. Next year, the tax credit given to parents of children with disabilities for costs incurred on specialised therapies for their children will increase from €500 to €750.



2. SOCIAL MEASURES (cont.)

2.6 EDUCATION MEASURES

The minister focused on the importance of the implementation of a National Education Strategy 2024-2030.

Investments will be continuously made in educators resulting in increase in teacher's salaries.

In view of the increased fees of private schools, the Minister announced an increase in the amount that parents who send their children to independent schools can deduct for tax purposes. The deduction for parents who have children in kindergarten is planned to rise to €3,500, in primary school to €4,600 and in secondary school to €6,500.

Students in primary, middle and secondary schools will be given €20 to spend on books at the National Book Fair. In addition, children whose families fall under Scheme 9 will be provided with a Library at Home with a value of €150.

Moreover, parents whose children continue their education development past secondary education, will receive an allowance of €500.

2. SOCIAL MEASURES (cont.)

2.7 OTHER SOCIAL AND FAMILY MEASURES

The annual tax refunds of between €60 and €140 will be retained during 2025.

As from 4 years ago, parents welcoming a child, whether by birth or adoption, are eligible for an allowance (€500 for the first birth/adoption, €1,000 for any births/adoptions thereafter). As from 2025, bonus will increase to €1,500 in the case of a third birth/adoption.

Families undergoing IVF treatments are entitled to an additional 100 hours of leave, per cycle, split between the prospective parents. A measure will be put in place such that the benefit would also apply to individuals who are self-employed, by way of compensating the equivalent of the 100 additional leave hours (split between the prospective parents).

Similarly, the paternal leave entitlement will be extended to self-employed fathers who will be entitled to a compensation equal to 10 days of pay, based on the national minimum wage.



3. PROPERTY MEASURES

3.1 INCENTIVES FOR FIRST TIME BUYERS

The First-Time Buyers Scheme will be further extended, benefitting thousands of young Maltese individuals and families. First-time buyers will continue to benefit from the Grant on First Residence (GFR) and reduced stamp duty. The stamp duty reduction for second-time buyers will also be extended.

3.2 PROPERTY IN UCAs AND VACANT PROPERTY

The Government announced that the exemption from Stamp Duty and Property Transfer Tax on property purchases and transfers on the first €750,000, which is:

- a) built more than 20 years ago and which have been vacant for seven years; or
- b) within the UCA; or
- c) built in typical and traditional Maltese style and architecture (for new properties)

will be extended to 2025.

In addition, first time buyers of such property will continue receiving a €15,000 (€40,000 if the property is in Gozo) grant. The refund of VAT up to €54,000 on the first €300,000 of property renovation and restoration will be retained for 2025.





4. BUSINESS MEASURES

4.1 TAX INCENTIVES FOR TRANSFERS INTER VIVOS OF FAMILY BUSINESSES

The Government will extend to 2025 the reduced rate of 1.5% stamp duty on the inter vivos transfer of a family business to descendants.

4.2 MALTA ENTERPRISE SCHEMES

The Seed Investment Scheme has been relaunched, offering incentives for individuals investing in local start-ups. Malta Government Venture Capital Limited was established in 2024 with a fund of up to €10 million dedicated to investing in new companies' shares.



4. BUSINESS MEASURES (CONT.)

4.3 INTERNATIONAL TAX DEVELOPMENTS

International taxation continues to be shaped by the Two-Pillar Solution, especially Pillar 2, which sets a global minimum tax rate of 15%. The OECD and EU are actively working on implementing these rules. Malta has opted to delay the directive's implementation for a further year, taking a cautious approach given the current uncertainties. Meanwhile, Malta is engaging in detailed discussions with the European Commission to introduce grants or tax credits (QRTCs) that align with EU and OECD regulations, aiming to provide the certainty needed to ensure that Malta is viewed as a competitive jurisdiction.

4.4 OTHER BUSINESS INCENTIVES

The government, through INDIS, is increasing its efforts to support business investments in industrial areas. This includes developing the SME Park in Ħal Far for businesses such as panel beaters, carpenters, and sprayers, aiming to reduce their presence in residential areas as much as possible.

The Highly Qualified Persons scheme is to be further extended for an additional year.

5. ENVIRONMENTAL MEASURES

5.1 INCENTIVES FOR CLEAN TRANSPORT

The government has extended the incentives for electric vehicle purchases, offering grants up to €8,000 for new cars and vans, and €2,000 for motorcycles, with new conditions.

The €1,000 grant following scrapping old vehicles, as well as the extra €1,000 for Gozo-registered vehicles will also be extended. Contracts for electric cars ordered by October 28, 2024, will remain eligible for this year's €11,000 grant, even if registered in 2025.

The current incentives for pedelec and e-scooter purchases, VAT refunds on bicycles, gas conversions, wheelchair-accessible taxis, and conversions of petrol or diesel vehicles to electric will be further extended.

5.2. OTHER ENVIRONMENTAL MEASURES

Enterprises donating to voluntary organisations can claim a tax credit of up to €500. The government will continue supporting schemes for installing photovoltaic panels, renewable energy storage batteries, heat pump and solar water heaters, and water purification equipment. Additionally, incentives will be provided for restoring wells in older homes, along with promoting large-scale renewable energy installations within the private sector.





6. HEALTH MEASURES

6.1 VARIOUS MEASURES

In order to support physical exercise, the Government will be paying the first 6 months of gym membership for young people born in 2005, 2006 and 2007.

The budget is also introducing mental health initiatives, such as service through video calls or telephone, aiming to increase awareness and accessibility when help is needed.

VAT on essential sanitary products and medical accessories for women recovering from cancer will be reduced to 0%.

Have Questions? Contact our experts



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