

Malta Budget 2027: What matters to business

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Welcome

On behalf of Forvis Mazars in Malta I am pleased to present our analysis of the key measures announced in the Budget for 2027 which we believe would be of particular relevance to Malta's business community.

Operating in an increasingly competitive environment, Maltese businesses are keen to understand what the 2027 Budget will mean in practice, from the schemes and incentives announced to the potential impact on the cost of doing business.

At Forvis Mazars we remain focused on helping our clients understand these measures, assess their implications and identify opportunities in line with the incentives and support measures announced. We look forward to addressing any questions you may have in connection with the 2027 Budget.



Paul Giglio
Tax & Assurance Partner

Malta Budget 2027:

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Key Highlights

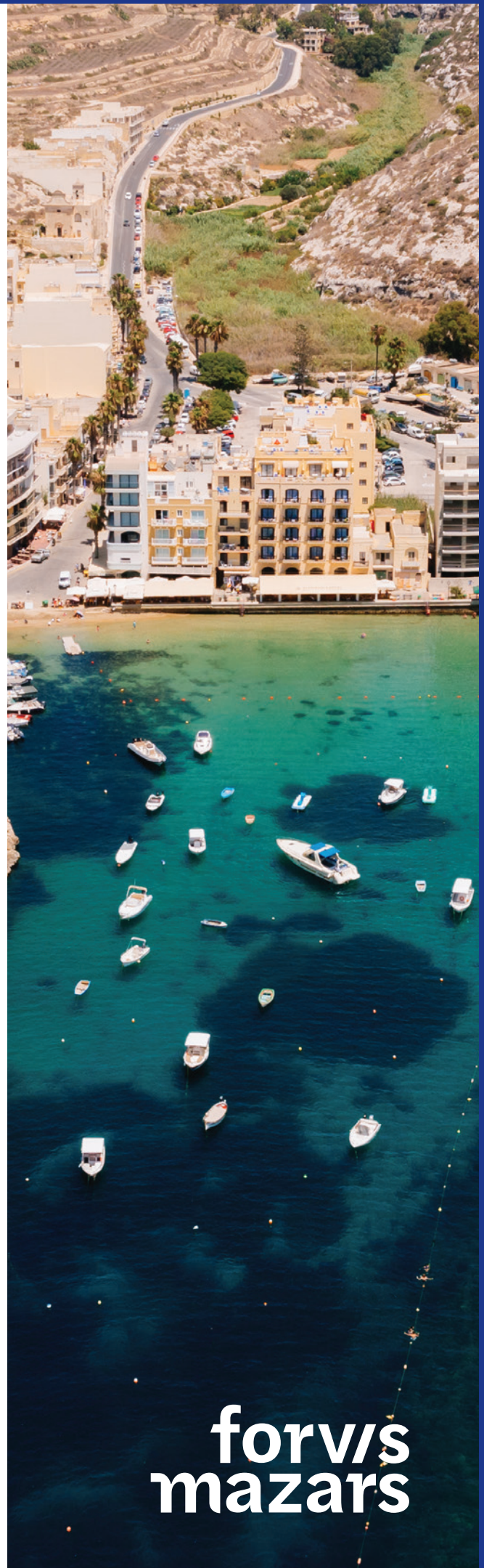
Backdrop

The 2027 Budget was presented by the Minister of Finance, Hon. Clyde Caruana in Parliament on the 26th of October 2026. The central theme of the Budget is a shift towards growth based on productivity, technology, skills and higher value-added activities. In terms of the announced measures, the Government intends to use fiscal policy to encourage investment in technology, digitalisation, automation and skills, while reducing dependence on additional foreign labour.

The key projected figures include an increase government expenditure by €1 billion resulting in recurring expenditure amounting to €9.4 billion and capital expenditure amounting to €1.5 billion. Real GDP growth is projected to 3.8% in 2027, supported by continued growth in tourism, exports, investment and domestic consumption. Inflation is forecast to remain relatively contained at 2.7%, helping preserve household purchasing power whilst unemployment is anticipated to remain low at approximately 3.2%. Furthermore, the Government is projecting a fiscal deficit of 2.6% of GDP.

Income tax for companies

- Companies with an annual turnover of up to €1 million will be eligible for a reduced corporate tax rate of 25% instead of 35%. This measure aims to support smaller businesses, improve competitiveness, and encourage investment and business growth. It complements existing initiatives supporting start-ups and young entrepreneurs.
- The reduced rate will apply only to profits retained in the business or reinvested. Distributed profits will continue to be taxed at the standard 35% rate.



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Value Added Tax measures

- A new VAT reverse charge mechanism will shift VAT reporting from the supplier to the customer on certain construction transactions. This aims to reduce VAT fraud, prevent abuse, and create a fairer playing field.
- Businesses failing to issue proper VAT invoices or fiscal receipts may incur penalties of up to €500, with repeated breaches increasing the likelihood of audits and investigations.
- The VAT treatment of food will be further clarified through guidelines to be issued by the MTCA. To ensure consistency and fair competition, these guidelines shall principally address ready-to-eat food sold by supermarkets, convenience stores, and restaurants.

Tourism taxes

- With effect from 1st January 2027, eco-contributions applicable to tourists over the age of 18 shall increase as follows:
 - Hotel accommodation: €8 per night, capped at €64 per person;
 - Short-let apartments: €10 per night, capped at €80 per person.
- Accommodation linked with English-language schools will no longer be required to collect the eco-contribution.

Employment permits

- For new third-country worker applications, the application fee will increase from €600 to €800.
- Furthermore, a further €400 annual infrastructure contribution will be payable, both in respect of new applicants as well as permit renewals.
- These measures signal an economic direction which steers away from an economy that is predominantly driven by an increase in the headcount and towards a model based on greater productivity, skills, technology and higher value-added activity.

Vessels registration fees

- Annual vessel registration fees (including those for commercial vessels) will be increased for vessels measuring between 10 and 24 metres in length. The additional annual charge will range from €300 to €2,600, depending on the vessel's size, with higher rates applying to larger vessels. Professional fishing vessels and vessels measuring less than 10 metres in length will not be affected by this measure.

Malta Enterprise incentives

- Malta Enterprise will continue supporting businesses and industry through its various schemes and maintain incentives that support digitalisation, automation, and investment that generates higher added value. Incentives will also be introduced to attract new niche sectors and strengthen existing ones, thereby continuing to diversify the economy.



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