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CHAPTER 1. INTRODUCTION

Mr Speaker,

Five years ago, this country faced two choices.

There was mounting pressure on energy, fuel and logistics costs.

The choice was between allowing international price increases to be passed directly on to the people, market forces alone to determine the extent to which utility bills and operating costs would rise.

Or, as a Government, to intervene in order to protect families and businesses from major economic shocks over which they had no control and for which they bore no responsibility.

Mr Speaker, I believe in the free market.

I believe that business, competition and private enterprise are the best means for an economy to grow, create wealth and be more efficient.

But I firmly believe that when families and businesses are hit by a crisis they did not cause, the Government's role cannot simply be to stand by and do nothing.

Because in extraordinary circumstances, when there is a serious risk to families' livelihoods, to businesses' competitiveness, and to

the economic stability of a country, I believe that the Government not only has the right to intervene, but the responsibility to do so.

This is the basis of the rationale underpinning the use of fiscal policy for the past hundred years.

And five years ago, we made that choice.

We chose protection, not uncertainty.

We chose not to allow soaring international energy prices wreak havoc on workers' wages, jeopardise the future of households, or to undermine the competitiveness of our businesses.

We opted for the Government to shoulder the burden so that families and businesses could keep moving forward.

We chose progress over a return to the past.

We chose stability, not austerity.

And because we chose this path, here in Malta we are not experiencing the collapse and chaos we are witnessing in Europe.

I must add here, Mr Speaker, that what we are seeing daily on television is possibly just the beginning of what Europe will experience in the coming weeks and months.

Challenges are expected to increase and intensify, not diminish.

Therefore, the decisions we've made and the choices we continue to make do not come without a cost. They are choices we have made consciously and responsibly, but they carry a great financial burden.

Whether I look back or ahead, I believe that these decisions have been, are and will continue to be of benefit to our country.

Mr Speaker,

Today, five years on, we see neighbouring countries grappling with the consequences of the different choices they made.

In Europe, we see governments under increasing fiscal pressure. Countries with public debt rates exceeding one hundred percent of their gross domestic product, facing ever-rising borrowing costs, and increasingly difficult decisions as their capacity to take on further debt becomes constrained.

And when that happens, a government's capacity to help people begins to diminish.

I say this not to alarm anyone, but to put into perspective the stronger position our country finds itself in today.

Despite these challenges, Malta's economy has continued to grow. For both this year and next, our economy is still projected to record the highest economic growth rate in the European Union.

Unemployment has remained among the lowest in the European Union.

And while in several countries, public debt has reached unsustainable levels, in our country it has remained stable.

This does not mean that we do not face any challenges.

Quite the contrary.

I was the first to speak in recent weeks about the need to keep our public finances sustainable. We must continue making the decisions necessary to ensure that Government becomes more efficient, more responsible and more agile.

These decisions may not make me popular, but they are necessary, and they must be taken.

This is precisely what we have done across the entire Government in recent weeks, and should the energy situation deteriorate further early next year, we will not hesitate to take whatever additional measures are necessary.

I reiterate what I have been saying recently: while subsidies must remain in place, at the same time I must ensure that the fiscal deficit remains below 3.0 per cent of the gross domestic product.

As I said a few years ago, this is a marathon, not a sprint. And our country has demonstrated that it has the resilience, endurance and determination to go the distance.

Today, we are presenting the most important Budget of all the ones I have presented in these six years I have spent as Minister for Finance.

Because today, we will not only set out our commitment to fiscal consolidation and reaffirm this Government's social conscience, but also addressing, through this Budget, a number of challenges our country is facing to ensure that quality of life is safeguarded in every aspect.

We have long emphasised the need to prioritise quality over quantity and to place productivity at the heart of our economic vision. Today, this Government will once again send a clear and unequivocal message reaffirming that commitment.

About how we will continue to translate our words into concrete action.

Mr Speaker,

This Government's top priority is to continue protecting families.

And so, despite the sharp rise in international energy prices, this Government will continue to ensure that electricity, gas and fuel prices remain stable.

Where others have faltered, we have remained steadfast.

This year, the cost of these subsidies and related support measures is expected to approach €400 million.

And next year, we will invest a further €400 million.

These are substantial sums. But we must also ask ourselves: what would have been the cost to our country, had we chosen not to make this investment?

People know all too well the consequences they and those around them faced when bills in our country began to rise.

When we consider these consequences, it becomes clear why this Government is once again choosing to provide this protection.

And let me be absolutely clear – we will not budge an inch from this policy.

But our choices do not stop here.

Through this Budget, we will continue the tax reduction programme announced last year, further easing the tax burden on families with children.

We will continue to increase pensions, as promised.

We will continue to strengthen social support, particularly for those who need it most.

However, we would be mistaken to view this support as some reward or the outcome of political bidding. Ultimately, these commitments must be finances through the country's resources.

And our responsibility is not only to deliver on our promises, but to do so without putting at risk the Government's ability to continue helping families, especially those most in need.

These measures will not be funded by placing a greater tax burden on families.

Otherwise, we would be giving something with one hand and taking it away with the other.

As we have already promised in the past few weeks, we will not increase income tax rates. On the contrary, we will continue the tax reduction programme introduced last year.

We will not increase the VAT rate.

And we will not increase social security contributions.

Instead, we will introduce measures to generate more funds to further strengthen our infrastructure, ensuring that it keeps pace with growing economic activity.

We will introduce measures to send a clear signal of our determination to accelerate the transformation of our economy towards higher productivity and greater value added.

Through these measures, we want to instill a better sense of balance. We want the Maltese people to continue to feel at home and enjoy a good quality of life in their own country. At the same time, we will continue to welcome those who visit our shores or choose to make Malta their home, as we have always done. But they, too, must make a fair contribution to our country in return for the opportunities and benefits they enjoy.

Mr Speaker,

Much has been said over the years about our country's economic model.

A model that has driven growth, created opportunities and generated greater government revenue, allowing us to invest more in social support.

But we can all agree that the time has come to embark on the next stage of our country's development.

People's priorities have changed, and our economic model must evolve with them. In this respect, this Budget will begin to address the changes needed and pave the way for this transformation.

When our country was grappling with unemployment, it made sense to pursue economic growth that would generate more jobs. Today, however, the situation is different.

The success we have achieved in many areas, particularly the much-needed growth in tourism, means that increased activity is placing ever greater demands on our country's infrastructure, healthcare services, energy supply and limited resources.

These pressures come at a cost. And importantly, that cost should not fall solely on Maltese and Gozitan taxpayers but must also be shared fairly by those whose activities contribute to these growing pressures.

Our response must neither be populist nor irrational. We must not resort to calls for a reduction in economic activity, as such an approach would have far-reaching negative consequences.

Instead, we want to create an environment in which, on the one hand, sufficient government revenue is generated to allow us to invest in and improve our infrastructure, ensuring that it can keep pace with growing activity.

And, on the other, we want to direct economic operators towards activities that create greater added value and place less pressure on our infrastructure.

This is not an argument against investment, nor is it a stance against foreign workers. Rather, it is an argument for an economy in which the cost of economic activity more accurately reflects its true impact, and where businesses have an incentive to invest more in technology, skills, and productivity.

It is also an argument for ensuring that economic activity increasingly leads to a leap in people's quality of life. It must respond to the new realities and priorities of a people whose aspirations have evolved, and who today seek a better quality of life and opportunities that, in the past, they may have had to set aside to meet more pressing needs.

This is a Government that listens to the people. We must therefore respond to the changing realities they face and address the impact of the rapid pace of economic growth, particularly the effect this is having on their quality of life.

This Budget therefore substantially strengthens the incentives to accelerate our country's economic transformation and provides a clear sense of the direction in which we want to continue moving.

We have a small country with limited resources, so we must place greater emphasis on the choices that will lead us towards a more productive, more efficient and higher-value economy.

An economy in which businesses invest more in technology, digitalisation, modernisation and skills, and where recruiting more people is not the first choice.

An economy in which profits and competitiveness increasingly stem from greater productivity.

Thus, economic growth will increasingly serve as a means of improving our people's quality of life.

To achieve this, we must also use fiscal policy tools to send a clear signal about which activities we want to encourage, which dependencies we want to reduce, and the direction in which we want our economy to evolve.

Mr Speaker,

Our country is at a crossroads, and this Government is sending a clear message about the direction it intends to take. The choice is not between continued economic growth and bringing growth to a halt.

Indeed, if we fail to make the leap towards greater value, higher productivity and a better quality of life, our growth will eventually stall.

Now is the time for change, because we must keep moving forward.

That is why this Government is choosing, once again, to take the necessary decisions.

This is a Budget of accountability. Not only for the country's finances, but also for the social and economic sustainability of Malta and Gozo.

Because, for me, Mr Speaker, economic progress should always lead to human progress.

We have an Opposition before us that has spoken at length about changing the economic model, but change is not achieved through words or populism.

This Government is choosing to make those decisions, responsibly and with a clear direction for our country's future.

Because, in the end, the measure of our success is not only how much the economy grows, but how much the lives and well-being of Maltese and Gozitans improve.

CHAPTER 2. ECONOMIC PERFORMANCE

Mr Speaker,

We are presenting this Budget against a backdrop of continued global uncertainty. The war in Ukraine, tensions in the Middle East, the resulting instability in the Strait of Hormuz and disruptions to international trade have placed further upward pressure on energy and transport costs. For a small, open country like ours, these are not distant developments. They are challenges that can directly affect Maltese and Gozitan families, workers, and businesses. When energy prices rise, the impact extends far beyond electricity bills, driving up production and transport costs, as well as the prices of everyday goods on shop shelves.

Yet, Mr Speaker, in the face of these challenges, Malta has continued to achieve economic growth and demonstrate remarkable resilience. In 2025, our economy grew by 4.7 per cent in real terms. In the first six months of 2026, economic growth reached 4.4 per cent, compared with the European Union average of 1.2 per cent. This means that, despite external pressures, our country continued to grow at a significantly faster pace than that of Europe as a whole.

This growth rests on solid foundations. In the first half of 2026, household consumption increased by 3.4 per cent, while investment rose by 8.2 per cent. Tourism continued to strengthen economic activity, alongside the services sector and exports of electronic goods. At the same time, employment increased by 4.6 per cent. Compensation per employee rose by 5.1 per

cent, reflecting a dynamic labour market, although we must continue working to improve our workers' productivity and skills. These are not just statistics. Behind these figures are businesses investing in their future, workers and young people seizing new opportunities, and families able to plan ahead with greater confidence.

Our outlook remains positive, but realistic. With a prudent approach, we are forecasting real economic growth of 4.1 per cent in 2026 and 3.8 per cent in 2027. Private consumption is expected to increase by 3.9 per cent this year, and 3.8 per cent next year. Investment is projected to rise by 10.2 per cent in 2026 and 7.0 per cent in 2027. In the labour market, we project that the unemployment rate will remain low, at 3.3 per cent in 2026 and 3.2 per cent in 2027. For 2027, we also anticipate a 2.0 per cent increase in exports, with net exports expected to make a positive contribution to economic growth once again.

Mr Speaker,

These forecasts do not, however, mean that our economy is without risks. External demand remains weak, and further price shocks arising from international developments could affect import prices. For this reason, this Government did not wait for these challenges to affect people's finances before taking action. We chose to keep electricity and fuel prices stable. This is an economic and social choice designed to protect the financial well-being of our families and safeguard the competitiveness of our businesses. It provides families with certainty over their

bills and gives businesses the confidence to plan their operations and investments well in advance.

Look at what's happening overseas. In Italy, the regulatory authority has announced a 37.3 per cent increase in electricity bills for certain categories of customers in the fourth quarter of this year. In France, the social and political tensions we are witnessing today stem, in part, from concerns about the cost of living and public services.

We cannot attribute all these difficulties to energy costs, but they remind us of the extent to which pressures on families can become a matter of social stability.

This Government has never sat idly by while energy costs continued to rise. We will continue to ensure that families are not left to struggle alone to make ends meet and that businesses are not held back by unsustainable operating costs. The Government has chosen, and will continue to choose, to bear this entire burden. This year, subsidies to prevent energy and fuel prices from rising are expected to cost the Government around €392 million. In recent years, between 2022 and 2026, the cost of these subsidies amounted to €1.35 billion. This means that Maltese citizens saved €1.35 billion on electricity and fuel costs; €1.35 billion that remained in the pockets of our people and our businesses.

To put this into perspective, Mr Speaker, without these subsidies, the weekly cost of diesel per car would rise from €20 to €33.06, while monthly electricity bills would increase from €50 to €85.

This means that an average household with two diesel cars is saving an average of €2,000 a year through fuel and electricity subsidies. These are not marginal increases; they are substantial additional burdens that would affect disposable income, increase costs for businesses, and ultimately lead to a rise in the overall cost of living. This Government will not allow families to bear the full weight of these pressures, nor will it leave businesses to bear costs that threaten their competitiveness. Our commitment is clear: to protect families, safeguard economic activity and provide stability, while remaining mindful of the Government's financial responsibilities.

The economic value of this policy is also supported by clear evidence. An internal simulation indicates that, if subsidies were abruptly withdrawn in 2026, causing electricity and fuel prices to rise by 70.0 and 65.0 per cent respectively, real gross domestic product (GDP) would fall 0.9 per cent below the baseline scenario in the first year and 2.2 per cent below it by the third year.

Households' real disposable income would be 3.2 per cent lower in the first year and 6.4 per cent lower by the third year. The simulation also indicates that consumer prices would be 4.9 per cent higher in the first year and that, by the third year, there would be around 2,600 more unemployed people. This is not a prediction of what will happen, but a clear warning of what could happen in the absence of this protection. The cost-of-living adjustment payable by employers would soar to €18.05 per week.

Nor can we overlook inflation. In September, Malta's inflation rate stood at 2.4 per cent, compared with 3.8 per cent across the euro area. For 2026 and 2027, we are forecasting inflation of

2.5 and 2.7 per cent respectively. This shows the value of stable energy prices, while recognising that food and service prices continue to place real pressure on households. In this context, I wish to announce, Mr Speaker, that the cost-of-living adjustment will be €6.41 per week.

We can maintain this course because we have managed the country's finances responsibly over the years. Last June, Malta exited the European Union's excessive deficit procedure; public debt remains well below the European limit, and the deficit remains below 3.0 per cent. This prudence gives us the credibility and space to deal with shocks, without burdening families and businesses with additional costs arising from developments abroad.

Mr Speaker, the message is clear. We are sustaining a growing economy, a strong labour market and stable energy prices. We will continue to protect families and businesses while investing in productivity, skills and energy infrastructure. Because stability does not happen by chance: it is built through responsible decisions, and its effects are felt in the everyday lives of the Maltese and Gozitan people.

CHAPTER 3. SOCIAL MEASURES

Mr Speaker, our promise is a contract and therefore we will continue to deliver on the commitments made in our Electoral Manifesto without delay. Despite the geopolitical challenges that also affect us, tonight I am announcing another substantial package of social measures worth more than €121 million.

While I am pleased to announce, among other things, further improvements in pensions, I wish to reassure workers who have yet to retire that, as we promised, neither the retirement age nor social security contribution rates will increase. Both will remain unchanged.

We are in a position to reaffirm this commitment because we have a strong economy and because, despite all the turmoil around us, our finances remain sound. Moreover, the latest strategic report on pensions recorded an improvement in the adequacy and sustainability of the country's pension system.

In 2027, the National Minimum Wage will be increased by €10.41 per week, including the COLA, thanks to the 2023 agreement between Social Partners and the Government. In this regard, the Government will soon be reappointing the Low Wage Commission so that, together with Social Partners, a new agreement on the National Minimum Wage for 2028 onwards can be reached next year.

Despite this increase in the National Minimum Wage, those earning it will continue to pay no income tax, unlike what used

to happen under previous administrations. Furthermore, not only will pensioners continue to be exempt from paying tax on their pensions, but we will also increase their tax-free threshold, as I will announce shortly.

An important reform

Next year, we will therefore undertake another important reform. As promised, from 2027 onwards, it will be possible to transfer contributions from a spouse who receives a pension to a spouse who does not. This will be subject to certain parameters that will be announced in the coming days, with the aim being of enabling more spouses, especially married women, to qualify for a pension and thus compensate for the years during which they were required, even by law, to leave employment upon marriage.

Through successive measures introduced since 2021, close to 4,000 married women have started receiving a pension for the first time. With the new measure next year, around 3,200 additional married women will benefit, bringing the total to 7,000 married women who have become or will become pensioners for the first time and who, without these measures, would not have been entitled to a pension.

Further measures for pensioners

In addition to this innovative measure of social justice, I will announce further measures for pensioners:

- Starting next January, recipients of retirement, invalidity and widows' pensions, as well as elderly people receiving

the old-age pension, will be granted an increase of €10 per week. This will be the first increase towards the €50 a week promised during the election campaign. The increase, which, as promised includes the cost-of-living adjustment, continues the series of pension increases we have delivered in previous years. Since 2013, all pensioners will have received increases of at least €92.40 per week, with many thousands receiving even larger increases thanks to other measures. The lowest pension today has now surpassed the highest pension paid under our predecessors, Mr Speaker.

- The Maximum Pensionable Income for pensioners born before 1962 will be increased to €28,000. Approximately 15,000 pensioners, including widowed pensioners, will benefit an additional increase. In doing so, we will continue to address this anomaly, which, as promised in the Electoral Manifesto, will have been completely eliminated by 2028.

- Next year, we will conclude a process that began in 2022, with the aim of ensuring that widows are entitled to the full pension their spouse would have received had they not passed away. With this adjustment, more than 7,000 widows will see a further increase in their pensions, and all widows will now receive a full two-thirds pension – yet another electoral promise fulfilled.

- Another anomaly that we will have eliminated by next year, and fulfilling another promise, is the discrepancy in the rates of the cost-of-living bonus paid to pensioners alongside their pension. Regardless of the year in which they retired, every

pensioner will receive the same flat rate of €21.53 per week in 2027.

- The tax-free pension income threshold will increase by €520 per year to €37,624 per year.

- Service pensioners will once again benefit from an increase in the amount of their service pension that is disregarded when calculating their social security pension. As promised, from next year, the disregarded service pension amount will increase by €300 per year instead of €200. Furthermore, for service pensioners who turn 72, the full amount commuted from their service pension will be disregarded.

- During the last legislature, former members of the disciplined forces who receive a service pension but no social security pension, and who are not in employment, were given the right to receive the cost-of-living adjustment as a bonus in two annual payments. As promised in the Electoral Manifesto, from next year, they will also be entitled to the same increase granted to social security pensioners. Therefore, their bonus will increase by €520 per year next year.

- Persons with disabilities who receive a contributory pension and who previously received some form of disability benefit or occupational injury pension have recently started receiving, alongside their pension, 10.0 per cent of the benefit to which they were entitled before reaching retirement age and which they had lost upon receiving their pension. From next year,

this percentage will increase to 20.0 percent, eventually reaching 50.0 per cent in the coming years, as promised.

- For those persons, mostly married women, who despite the measures mentioned earlier, still do not qualify for a pension because they have not paid sufficient contributions, the bonus rate they receive will, as promised, start to increase by the same amount as the cost-of-living adjustment from next year. Therefore, next year bonus rates will increase by €333.32 per year and will range from €933 to €1,383 per year.

Mr Speaker, this Government's social conscience will not stop here. Families with children, workers and vulnerable people remain our priority. I will therefore now move on to a number of social measures for next year:

- We will once again operate the additional COLA mechanism, providing families and individuals on low or middle incomes with an additional payment to help them cope with the cost of living. Payments will range from a minimum of €200 to a maximum of €1,500 per year, depending on disposable income and the number of persons in the household. In total, over 100,000 households, mostly pensioners, single people and couples, as well as families with children, will benefit.

- In the first half of the new year, around 14,000 families will be entitled to a payment of €500 per child in post-secondary education. This will be the third and final payment for families that became eligible in 2025, the second for those that began

benefiting this year, and the first for those whose children have just started post-secondary education.

- In 2027, we will begin the process of bringing the Carers' Grant, paid to parents who cannot work because of their children's severe disabilities, into line with the net National Minimum Wage, as promised. As a first step, the Carers' Grant will rise to €7,500 per year next year. In addition, parents who work no more than 20 hours per week on a part-time basis will also begin to benefit from the grant, but at the current rate of half the net National Minimum Wage.

- The benefit under the Carer at Home scheme, paid to seniors who employ a full-time carer, will be increased by a further €800, to €9,800 per year.

- As promised in the Electoral Manifesto, the adoption grant will be increased to €15,000 over the course of the legislature. As a first step, reimbursement of costs for families adopting children from abroad will increase by €1,000 next year, to €13,000.

- From next year, employed persons who begin fostering will be entitled to an additional 10 working days of leave, equivalent to paternity leave, funded by the Government, so that they have time to bond with the children entrusted to their care. We will also do this to provide these children with the best possible alternative care.

- As part of the Aftercare Policy for young people in alternative care, we will establish a framework of support and benefits to help them move towards independent living after spending time in residential institutions for adolescents. The programme ensures that these young people are not left to fend for themselves but receive all possible assistance to find their way in life independently. They will be guaranteed access to education and training, as well as a roof over their heads, with support beginning at the age of 17 and continuing until they turn 21; this will be in addition to any other education-related payments, including the stipend. This assistance, including educational support, will be at least equivalent to the social assistance provided to single people.

- The Supplementary Allowance for Orphans will be extended from the age of 21 to 25, provided the orphan remains in tertiary education, or until 6 months after graduating and starting work, whichever comes first. The rate in this case is higher, at €170 per week, to provide these young people with the best possible support.

- As promised in the Electoral Manifesto, and because we know that early intervention and therapy from a young age are the greatest investments in true inclusion, we will assist with all the costs of necessary therapies for children with disabilities under the age of 18.

- Starting next year, we will expand the list of categories of people eligible for social security contribution credits. In fact, up to two years of credits will be awarded to employees

who are temporarily absent from work due to mental health problems or domestic violence. We will also award credits to young people with behavioural issues who spend time in rehabilitation, including under a court order, to help them reintegrate into society while training in a trade and receiving support to set up their own business or find employment.

- The increase in the National Minimum Wage announced earlier, including COLA, will be reflected in higher rates paid to around 15,000 persons with disabilities, carers and recipients of social benefits. Increased Severe Disability Assistance will rise by €9.37 per week, while Severe Disability Assistance, Disability Assistance, Visual Impairment Assistance, Disability Benefit, Increased Carer's Allowance, Carer's Allowance and Social Assistance will rise by €6.41 per week.

Conclusion of schemes addressing anomalies

As planned, next year we will also conclude the four compensation schemes still in place to address past anomalies or injustices. These apply to former Malta Drydocks and Malta Shipbuilding workers, former Gas Board workers, people recruited by Telemalta Corporation between 1 January 1978 and 15 January 1979, former employees of the Rediffusion Group of Companies who were absorbed into Telemalta Corporation in 1975, and other people recruited into the corporation's broadcasting arm before 1 January 1978. Thus, we will conclude 11 years of compensation payments to 9,000 people or their heirs, totalling €105 million.

CHAPTER 4. FISCAL MEASURES

Mr Speaker,

This is a Government that listens, reflects and understands what is being said by the various sectors of society. In contrast to what we are seeing beyond our shores, our economy, as a result of the decisions we have made and will continue to make, is expected to remain robust and continue to grow at the highest rate in Europe. This growth creates wealth, and I will speak later about how this wealth will be distributed. However, it also brings with it certain challenges that affect everyone in their everyday lives.

Therefore, in this Budget, we will take a number of decisions to achieve a better balance between economic growth and its effects.

Tourism

Eco-Contribution on tourist accommodation

Tourism in our country has grown to unprecedented levels. This year, we will have welcomed more than 4.5 million tourists, who, between them, will have spent around 28 million nights in our country. Everyone benefits from tourism, and we expect the number of tourists and the nights they spend here to continue increasing next year. While all this is positive, we cannot ignore the pressure it places on our country's infrastructure.

The Government, through its Vision 2050, is committed to strengthening this sector while continuing to aim for higher-

quality tourism. Let me recall that tourists also benefit, directly or indirectly, from the wide range of energy subsidies.

In view of the substantial increase in energy prices, and because our country must continue to invest in its tourism product, we will increase the Eco-Contribution payable by tourists during their stay in our country.

Starting 1st January, the Eco-Contribution payable by those staying in collective accommodation will be €8 per night, capped at €64 per person. The Eco-Contribution rate for those staying in apartments known as short lets will be €10 per night, capped at €80 per person. Revenue from these revisions is expected to be around €182 million.

Let me remind everyone that the Eco-Contribution is payable by those over the age of 18. From next year, we will remove the requirement for English language schools to pay the Eco-Contribution on accommodation.

Eco-Contribution for cruise liner passengers

We will introduce an Eco-Contribution for passengers on board cruise liners visiting Malta.

A nominal fee of €10 will apply to those tourists who disembark and re-embark on the same cruise liner in our country.

This contribution will not apply to passengers starting their cruise from Malta.

Eco-Contribution from tourists visiting Comino

In summer 2025, we started a project to improve the experience of those visiting the Blue Lagoon. We started by setting a limit on the number of people allowed to access the area and introducing a booking system with different time slots throughout the day. Through the Malta Tourism Authority, we invested in and significantly improved cleanliness, facilities and safety at this destination, which is so popular with Maltese people and tourists alike. The project will continue, with respect for the local ecosystem, while further improving the visitor experience. For this purpose, we will introduce a €5 charge through the existing system as an Eco-Contribution payable by tourists.

The Labour Market

The number of workers in our country's labour market has increased by around 130,000 over the past decade. All this is proof of how much our economy has grown and the wealth it has created. However, while the number of Maltese and Gozitan workers stood at around 180,000 in 2015, it had risen to around 205,000 by the end of 2025. At the same time, to meet the economy's demand for more workers, the number of foreign workers increased by around 106,000 between 2015 and 2025. While all this has led to the creation of more wealth year after year, one cannot ignore the external challenges it has brought.

As I said earlier, we will continue to welcome foreign workers who come to live among us, as we always have, and ensure that they are treated with the dignity they deserve. However, they too should contribute to the country in return for what they receive, including the use of infrastructure in its various forms.

I will therefore announce an increase in the work permit fee for workers coming from outside the European Union.

Mr Speaker, the fee for a new application will be increased by €200, rising from €600 to €800 per person.

There will also be an additional fee, known as the infrastructure contribution, of €400, payable by both new applicants and those renewing their permits. This additional fee must be paid annually but does not apply to minors under the age of 18. I would also add that fees for many of the permits issued by Identità will be revised upwards.

These increases in work permit fees are expected to generate around €80 million.

Changes in eligibility for certain benefits

Mr Speaker, unlike many other countries, ours offers a number of free benefits to everyone. These range from healthcare and education to social benefits and transport. Our country's circumstances were different when these benefits were introduced, and over the years, our reality has changed in many ways. The time has therefore come to make certain revisions in these areas, as I will now explain.

- **Free public transport**

  From next January, free public transport will remain available only for Maltese and Gozitan citizens, residents who are

citizens of the European Union, and those who hold Long-Term Resident status.

- **Driving licences**

  Visitors holding a driving licence issued outside the European Union may continue to drive in Malta for up to twelve months from the date of their entry into the country. Those granted a residence permit may drive using such a licence for twelve months from their entry into Malta, and this period will not reset if they leave and re-enter the country. For existing permit holders, the period will run from their last entry into Malta before 1 January 2027. After this period, they must hold a Maltese or European driving licence. Drivers holding a residence permit for a specific driving job are exempt.

  An administrative charge of €83 per month will also be introduced for holders of category B and B1 licences issued or renewed from that date. Citizens of the European Union and the European Economic Area, long-term residents and their spouses are exempt. Citizens of the United Kingdom, Australia and the United Arab Emirates, as well as holders of a residence permit for a specific driving job, are also exempt. The driving licence will expire when the residence permit expires and will not be renewed if any payments remain outstanding.

- **The cheque for atypical work**

  From 1 January, this cheque will continue to be issued only to Maltese and Gozitan citizens, residents who are European Union citizens and long-term residents.

- **Free childcare for all**

  There will be no change in eligibility for those who are already using the service today, until their children reach the age at which they are no longer eligible. However, from next year, eligibility for this free service will be retained only for Maltese and Gozitan citizens, residents who are European Union citizens, and those who meet the criteria for Long-Term Resident status.

The four measures I have just announced in fiscal terms are expected to generate a combined €46 million per year in savings and new revenue.

Fast ferry services and the Gozo ferry

We all agree that maritime transport has become an essential service. This alternative mode of transport helps reduce traffic congestion. The Government allocates more than €18 million to maintain existing services. We feel that the fares currently paid by tourists are somewhat low. I am therefore announcing a revision of these fares, with an increase of €3 per journey.

Gozo ferry fares will also be revised for non-residents.

Adult passengers who are non-residents will pay €11, while children will pay €7. At the same time, the fare for a vehicle driven by a non-resident will rise to €22. For example, where a vehicle carries a driver and one adult passenger, the total fare will be €33. Where a driver is accompanied by an adult passenger and a child, the total fare will be €40.

Passenger and Vehicle Category	Current Fare	Proposed Fare	Difference
Non-resident adult	€4.65	€11.00	+€6.35
Non-resident child	€1.15	€7.00	+€5.85
Vehicle + Driver	€15.70	€22.00	+€6.30
Vehicle + Driver + Adult Passenger	€20.35	€33.00	+€12.65
Vehicle + Driver + Adult Passenger + Child	€21.50	€40.00	+€18.50

This revision of tourist fares will allow us to continue investing in infrastructure and operations. These increases are expected to generate around €13 million in additional revenue, offsetting the reduction in the subsidy.

Recreational boats

Mr Speaker, I wish to reiterate what I have already stated: this country will continue to maintain stable energy prices, including fuel prices.

I would like to point out that while the fuel subsidy amounted to approximately €40 million last year, it increased to €85 million this year.

I believe it is fair to say that the majority of the population agrees that this subsidy should remain in place. However, as time goes on, we increasingly believe that subsidies should be directed towards essential needs.

To this end, and to offset part of the fuel subsidy received by certain vessels, we will revise the annual registration fees.

This will apply to all vessels between 10 and 24 metres in length. Since vessels exceeding 24 metres are already prohibited by law from benefiting from subsidised fuel, we will introduce different categories based on vessel length, with the revised fees determined accordingly. This will not apply to our professional fishermen or to owners of vessels measuring less than 10 meters in length.

The fees are as follows.

Additional increase	**>=10 to <12m**	**>=12 to <15m**	**>=15 to <18m**	**>=18 to <21m**	**>=21 to <24m**
Commercial Yachts		€350	€650	€1,800	€2,600
Yachts <50gt	€300	€350	€650	€1,800	€2,600
Other <50gt	€300	€350	€650	€1,800	€2,600
Other >=50gt	€300	€350	€650	€1,800	€2,600

Revenue generated from this measure is estimated at around €3 million.

Small business tax deduction

The Government will introduce a new framework under which companies with a turnover not exceeding one million euro may benefit from a tax rate of 25.0 per cent instead of 35.0 per cent. This measure is intended to reduce the tax burden on smaller companies, strengthen their competitiveness and leave them with more resources to invest in their businesses. It will complement the Youth-Led Start-Up Support Scheme launched earlier this year. Building on the measures announced last year, this initiative will also provide further support to young people who decide to establish their own businesses. In this way, the framework is expected to strengthen business resilience and encourage further investment in the economy. The measure will operate subject to the conditions and limitations set out in the relevant regulations, to ensure clarity and consistency with the existing corporate tax system. I must, however, clarify that this deduction will apply to retained or reinvested profits. As long as profits are distributed as dividends, the 35.0 percent rate will continue to apply.

Lowering of income tax for parents

Mr Speaker,

In last year's Budget Speech, I announced the largest income tax reduction for families with children, amounting to no less than €160 million over 3 years. In total, approximately 68,000

parents continue to benefit from this tax reduction. This means that, from this year until 2028, families with children will have just over €50 million more in their pockets each year.

Let me remind everyone that new tax tables were established for families with one child, and additional tables will be introduced for families with two or more children.

Under our tax system, families can choose between two methods of tax computation: the Married computation and the Parent computation.

Married Computation with One Child

The Married computation typically applies to families where typically only one spouse earns an income or where the other spouse earns a minimal income.

Currently, these families begin paying income tax once their income exceeds €17,500. Firstly, Mr Speaker, this threshold will increase to €20,000 next year and will rise further to €22,500 in 2028. Let me recall that, due to increased thresholds and adjustments to the tax brackets, the maximum tax savings for families with one child amounted to €725 this year, and will amount to €1,450 next year and €2,175 in 2028.

2027		
Married Computation with One Child		
Income category	**Rate**	**Subtract**
€0 - €20,000	0.0%	€0
€20,001 - €30,000	15.0%	€3,000
€30,001 - €60,000	25.0%	€6,000
€60,001+	35.0%	€12,000

2028		
Married Computation with One Child		
Income category	**Rate**	**Subtract**
€0 - €22,500	0.0%	€0
€22,501 - €33,500	15.0%	€3,375
€33,501 - €60,000	25.0%	€6,725
€60,001+	35.0%	€12,725

Parent Computation with One Child

Parent computation with One Child applies to families where both parents are employed and have one child.

Currently, these families begin paying income tax once their income exceeds €14,500. This threshold will increase to €16,000 next year and will rise further to €18,000 in 2028. Due to increased thresholds and adjustments to the tax brackets, the maximum tax savings for parents with one child amounted to €575 this year, and will amount to €1,150 next year and €1,800 in 2028.

2027		
Parent Computation with One Child		
Income category	**Rate**	**Subtract**
€0 - €16,000	0.0%	€0
€16,001 - €24,500	15.0%	€2,400
€24,501 - €60,000	25.0%	€4,850
€60,001+	35.0%	€10,850

2028		
Parent Computation with One Child		
Income category	**Rate**	**Subtract**
€0 - €18,000	0.0%	€0
€18,001 - €28,000	15.0%	€2,700
€28,001 - €60,000	25.0%	€5,500
€60,001+	35.0%	€11,500

I would now like to explain the changes to the tax rates for parents with two or more children.

Married Computation with Two or More Children

As I mentioned earlier, the Married computation typically applies to families where only one spouse earns an income or where the other spouse earns a minimal income.

Currently, these families begin paying income tax once their income exceeds €22,500. As from next year, this threshold will

increase to €30,000 and will rise further to €37,000 in 2028. This means that the amount of income exempt from tax will have increased by €22,000 over 3 years.

Due to increased thresholds and adjustments to the tax brackets, the maximum tax savings for families with two or more children will amount to €2,025 this year, which will go up to €4,050 next year and reach €6,000 in 2028.

2027		
Married Computation with Two or More Children		
Income category	**Rate**	**Subtract**
€0 - €30,000	0.0%	€0
€30,001 - €41,000	15.0%	€4,500
€41,001 - €60,000	25.0%	€8,600
€60,001+	35.0%	€14,600

2028		
Married Computation with Two or More Children		
Income category	**Rate**	**Subtract**
€0 - €37,000	0.0%	€0
€37,001 - €50,000	15.0%	€5,550
€50,001 - €60,000	25.0%	€10,550
€60,001+	35.0%	€16,550

Parent Computation with Two or More Children

Parent computation with Two or More Children applies to families where both parents are employed and have more than one child. In total, about 29,300 parents benefit from this computation.

May I once again remind you that, under the current tax rates, these families begin paying income tax once their income exceeds €18,500. This will now increase to €24,000 next year and will rise further to €30,000 in 2028. Yes, Mr Speaker, to reiterate, parents with two or more children who each earn €30,000 will pay no income tax within two years.

However, that is not all, Mr Speaker. Due to increased thresholds and adjustments to the tax brackets, the maximum tax savings for single parents with two or more children amounted to €1,625 this year, and will amount to €3,250 next year and €5,000 in 2028. This means that, within two years, parents with an income of €42,000 each will benefit from a total tax saving of around €10,000.

2027		
Parent Computation with Two or More Children		
Income category	**Rate**	**Subtract**
€0 - €24,000	0.0%	€0
€24,001 - €33,500	15.0%	€3,600
€33,501 - €60,000	25.0%	€6,950
€60,001+	35.0%	€12,950

2028		
Parent Computation with Two or More Children		
Income category	**Rate**	**Subtract**
€0 - €30,000	0.0%	€0
€30,001 - €42,000	15.0%	€4,500
€42,001 - €60,000	25.0%	€8,700
€60,001+	35.0%	€14,700

Super Bonus

Mr Speaker, what we promise, we deliver. In the first quarter of next year, we will pay the Super Bonus to all eligible individuals. This will be worked out on base year 2025. That is, everyone who was working in 2025 will be receiving this payout.

Let me remind you that all those whose employment income amounted to €12,000 or more will receive a tax-free payment of €1,000. Those earning less than this amount will receive a pro-rata payment, as I will now explain. The Super Bonus will also be

paid to self-employed individuals, older persons who continue to work and part-time workers.

Super Bonus	
Income	**Bonus**
€12,000+	€1,000
€11,000 - €11,999	€925
€10,000 - €10,999	€875
€9,000 - €9,999	€800
€8,000 - €8,999	€725
€7,000 - €7,999	€650
€6,000 - €6,999	€575
€2,000 - €5,999	€500

Administrative Measures

Separate Tax Returns

As part of our ongoing efforts to simplify tax administration and provide taxpayers with greater flexibility, the Government will launch a project to reform the income tax return framework applicable to married couples.

The aim is to establish an approach whereby, as a general rule, each spouse files an individual tax return covering their own income and tax affairs. Couples wishing to make use of a joint declaration arrangement, where permitted by law, will continue to have this option through a selection mechanism.

Transfer of Airspace

The Government is determined to ensure that property transactions are taxed fairly and transparently. Certain arrangements involving the sale of airspace have been identified that may result in tax being calculated on only part of the actual value of a completed property.

Accordingly, the Government will introduce targeted measures requiring more comprehensive disclosure of the agreed total consideration for such developments, strengthening valuation and verification procedures, and ensuring that transactions are taxed according to their economic substance. The measures will also address arrangements involving intermediaries or developers who do not appear directly on the deed of transfer.

These reforms will safeguard public revenue and promote a level playing field for operators who meet their obligations, while preserving legitimate development practices. Following consultation with the relevant stakeholders, the new framework will apply prospectively and provide clear guidance and legal certainty for buyers, developers and professionals.

New VAT mechanism in the construction sector

Another reform we will undertake is the introduction of a new mechanism in the construction sector aimed at addressing potential VAT abuse.

For transactions that will be covered by this mechanism, VAT liability will shift from the supplier to the purchasing business.

That business will be required to calculate and declare the VAT due on its purchases and will be able to deduct the same VAT, provided it meets the eligibility requirements under the law.

In this way, VAT will no longer be paid to the supplier, thereby eliminating the risk of suppliers collecting VAT from customers and retaining it instead of remitting it to the Government. At the same time, we will reduce the possibility of VAT refunds being claimed on amounts that were never paid, including through false invoices or fictitious transactions.

Through this mechanism, we will protect public funds and ensure that reputable businesses in this sector can compete on a fair and level playing field.

Strengthening obligations regarding VAT invoices and tax receipts

This Government remains committed to ensuring fair competition and a level playing field for all businesses. Businesses that comply with their VAT obligations must not be placed at a disadvantage by those that seek to abuse the system.

Therefore, we will introduce a more efficient and effective mechanism to enforce the obligation to issue correct invoices and fiscal receipts. Instead of resorting immediately to criminal proceedings, we will introduce a system of administrative penalties that builds on the existing compromise fines mechanism, while allowing infringements to be addressed more quickly.

The penalties will be €100 for the first infringement, €200 for the second and €400 for the third, with a penalty of €500 for the fourth and every subsequent infringement within a 24-month period. Where the penalty is paid within 30 days, criminal liability for the infringement covered by that penalty will be extinguished.

But our work does not stop with the payment of penalties and fines. Thanks to the millions of euros we have invested in new technology and risk analysis within the Malta Tax and Customs Administration, information about these infringements will also feed into the risk assessment system. These infringements will increase the risk score of the business concerned and, therefore, the likelihood of its being selected for an audit, inspection or investigation.

In this way, any infringement will also help us identify where greater scrutiny is warranted, enabling us to tackle VAT evasion in a more targeted way and protecting businesses that comply with the law.

Fair competition and consistent application of the VAT exemption on food

To further ensure fair competition, we are also working on guidelines to clarify the application of the VAT exemption on food. This is particularly important in the case of ready-to-eat food sold by supermarkets, minimarkets and convenience stores, which compete with one other as well as directly with restaurants offering similar products.

These guidelines will provide operators with greater certainty regarding the VAT treatment applicable to their supplies, ensuring that the exemption is applied fairly, correctly and consistently across the sector. In this way, we will avoid having different interpretations that coulc create an unfair advantage for some operators at the expense of others.

CHAPTER 5. FISCAL POSITION

Mr Speaker,

If I had to sum up tonight's entire speech in just a few words, I would use the phrase, "Peace of Mind". This is because, Mr Speaker, the Maltese and Gozitan people, and all those watching us at this time, should feel reassured. That peace of mind comes from the fact that, despite everything happening around us, and despite the ever-growing challenges and shocks we face, our country's financial position remains strong.

A few weeks ago, I spoke about fiscal responsibility and the need to stay the course in the face of these challenges.

The Opposition accused me of tightening the belt. I say that we are being socially just while continuing to invest.

The Opposition claimed that the country's financial position is dire. I say that, despite the substantial increase in energy prices, we continue to provide certainty by maintaining price stability.

The Opposition challenged us, saying, "Let us see how capable the Government is of honouring its promises." Yet here I stand tonight, having presented a clear answer through the measures I have just outlined, to those who have never had, and still do not have, the credentials to manage our country's finances.

Mr Speaker, I say this because their words reveal their true nature. The faces may have changed, but their actions, their thinking and their capabilities remain the same.

Had those on the other side of the House been in Government today, faced with the same circumstances, rest assured, Mr Speaker, that they would have landed the country in an excessive deficit procedure, found an excuse to pass the burden of higher energy prices on to the people, and then claimed that the promises they had made could no longer be fulfilled.

Instead, we stand here today, once again maintaining stable energy prices, honouring a major pledge in our electoral programme, continuing to provide more support to families and pensioners, and encouraging investment. And we are doing all this while upholding the most important principle of all: keeping the country's deficit below 3.0 percent of the gross domestic product.

That, Mr Speaker, is the difference between those who are competent and those who are not. As we say in Maltese, leave the job to those who know how to do it.

I will now turn to the fiscal estimates for next year.

The Deficit

Mr Speaker,

A year ago, I forecast that we would close 2025 with a deficit of 3.3 per cent and record a deficit of 2.8 per cent in 2026. We all know that we ended 2025 with a much lower deficit of 2.1 per cent. This achievement was driven by significantly better-than-expected revenue.

As I had already begun to anticipate earlier this year, when another conflict broke out in the Middle East, the deficit could increase as a result of higher subsidies needed to offset rising energy prices. Indeed, we now expect to close this year with a deficit of 2.6 percent, which is nevertheless lower than the figure we had forecast last year.

For next year, given that energy prices will remain at their current levels, we are projecting a deficit of 2.6 per cent, the same as this year. It is worth pointing out here, Mr Speaker, so that everyone fully appreciates the scale of our intervention in the energy sector, that energy subsidies account for approximately half of the country's deficit, equivalent to 1.4 per cent of gross domestic product. Had it not been for the shocks experienced over the past 6 months, next year's deficit would have been almost 1.0 percentage point lower than the figure I have just announced.

Revenue and expenditure

I move on now to give an account of the figures relating to the Government's revenue and expenditure.

Government revenue for next year is expected to reach €10.1 billion, an increase of €1.0 billion over the amount projected for this year. Tax revenue is expected to total €9.0 billion, an increase of €645 million over this year. Non-tax revenue is projected to reach €1.1 billion, representing an increase of €359 million over this year.

Total government expenditure is also expected to increase by just under €1.0 billion. Recurrent expenditure is projected to reach €9.4 billion, while capital expenditure is expected to amount to almost €1.5 billion. In terms of increases, recurrent expenditure will rise by €711 million and capital expenditure by €283 million. I must point out that approximately €390 million of next year's capital expenditure will be financed through European Union funds, €90 million more than the amount received this year.

From what I have just outlined, Mr Speaker, it is clear that capital expenditure is a priority for this Government. This is the responsible way of doing things. I call it prudence. The Opposition calls it austerity. Go figure.

Debt

I now turn to Government borrowing. Here too, the Opposition tries to frighten people with the bogeyman. Month after month, they continue to paint a picture of a country where everything is falling apart and we are on the verge of collapse. I will have to disappoint them here too, Mr Speaker.

Last year, I stated that the debt-to-GDP ratio for this year was expected to be 47.3 per cent. Our current estimate is lower, at 46.7 per cent, despite the substantial impact of rising energy costs. And this, Mr Speaker, is precisely where we demonstrate our competence as a Government that knows how to manage the country's finances. Next year, we anticipate a further financial burden of no less than €400 million due to energy costs. Yet the debt-to-GDP ratio is expected to remain virtually unchanged, at 46.8 per cent.

This is not magic, Mr Speaker. It is the result of prudent management and competence. Just look at the difference: the International Monetary Fund is warning certain governments that they must cut expenditure because their debt has spiralled, while the interest burden has risen to such an extent that, even without any increase in spending, their debt will continue to grow substantially against a backdrop of economic stagnation. On the one hand, we see the reality in certain European countries: rising debt burdens, struggling economies, businesses weighed down by soaring energy costs and, yes, people taking to the streets, smashing and burning whatever stands in their way.

The life we enjoy here in our country is also a reality. A reality, however, made possible by decisions taken over the years.

Here, I would like to reiterate an important point. The Opposition constantly attacks the Government over the increase in public debt. Yet it conveniently fails to mention that the debt-to-GDP ratio has remained stable, or to acknowledge why we had to borrow in recent years.

Let me remind the House that around 70.0 per cent of the increase in debt resulted from the pandemic, the various energy crises and the need to finance the closure of the national airline and the establishment of a new one – a subject to which I will return later. So I ask the Opposition: which of these decisions would you not have taken? Which of these burdens would you have passed on the people? Which forms of assistance would you have withheld? I suspect we should not hold our breath waiting for answers to these questions.

I imagine they will point out that there was a further increase of approximately 30.0 per cent that I have not addressed. My answer here, too, is clear. While this Government has achieved a great deal, and indeed, that is why the economy has remained strong, I have no hesitation in accepting responsibility for the fact that perhaps more could have been achieved with less. I do not claim to be perfect. But I will say one thing to the people of Malta and Gozo: while other countries are deeply concerned about the possibility of a financial markets crisis triggered by their ever-rising debt burdens, I can stand here once again and offer peace of mind and reassurance that, throughout this legislature, we will continue working to reduce the debt burden, as I have repeatedly stated in recent months.

Table 5.1: Fiscal Position 2025 - 2026

	2025 Actual € '000		2026 Approved € '000		2026 Revised € '000	
Consolidated Fund						
Tax Revenue	7,447,716		7,814,205		8,357,535	
Non-Tax Revenue	624,172		606,424		720,945	
Total Revenue		8,071,888		8,420,629		9,078,480
Recurrent Expenditure		7,485,686		7,813,174		8,387,872
Capital Expenditure		1,113,506		1,123,513		1,169,250
Primary Balance	(527,304)		(516,058)		(478,642)	
Interest Payments		296,620		335,942		325,942
Recurrent Surplus / (Deficit)	289,582		271,513		364,666	
Consolidated Fund Surplus / (Deficit)		**(823,924)**		**(852,000)**		**(804,584)**
Financing						
Direct Loan Repayments	(459,455)		*(958,472)*		*(958,698)*	
Early Repayment of MGRSB	(5,905)		*(5,755)*		*(5,295)*	
Foreign Loan Repayment	(80,000)		-		-	
Contributions to Sinking Funds - Foreign	(30)		*(30)*		*(30)*	
Contribution to Special MGS Sinking Fund	(30,000)		*(30,000)*		*(30,000)*	
Equity Acquisition	(280)		*(50)*		*(10,050)*	
Repayment of Loans to Government	5,338		*2,784*		*6,652*	
Sale of Shares / Assets	-		-		-	
		(570,332)		*(991,523)*		*(997,421)*
Public Sector Borrowing Requirement		*(1,394,256)*		*(1,843,523)*		*(1,802,005)*
Foreign Loans		*77,850*		-		-
Consolidated Fund balance as on 1 January	*(866,322)*		*(985,022)*		*(862,979)*	
Local Loans	*1,319,749*		*1,900,000*		*1,900,000*	
		453,427		*914,978*		*1,037,021*
Consolidated Fund balance as on 31 December		*(862,979)*		*(928,545)*		*(764,984)*
Consolidated Fund Surplus / (Deficit)		**(823,924)**		**(852,000)**		**(804,584)**
General Government Adjustments		**318,241**		**101,000**		**125,584**
General Government Surplus / (Deficit)		**(505,683)**		**(751,000)**		**(679,000)**
Gross Domestic Product	**24,664,030**		**26,408,200**		**26,347,600**	
General Government Surplus /(Deficit) as a % of Gross Domestic Product	**-2.1%**		**-2.8%**		**-2.6%**	

Table 5.2: Fiscal Position 2025 - 2029

	2025 Actual € '000		2026 Revised € '000		2027 Estimates € '000		2028 Estimates € '000		2029 Estimates € '000	
Consolidated Fund										
Tax Revenue	7,447,716		8,357,535		9,002,731		9,565,731		10,145,731	
Non-Tax Revenue	624,172		720,945		1,079,398		1,039,467		1,027,467	
Total Revenue		8,071,888		9,078,480		10,082,129		10,605,198		11,173,198
Recurrent Expenditure		7,485,686		8,387,872		9,042,444		9,413,533		9,838,352
Capital Expenditure		1,113,506		1,169,250		1,452,692		1,458,215		1,503,496
Primary Balance	(527,304)		(478,642)		(413,007)		(266,550)		(168,650)	
Interest Payments		296,620		325,942		381,842		401,000		410,900
Recurrent Surplus / (Deficit)	289,582		364,666		657,843		790,665		923,946	
Consolidated Fund Surplus / Deficit		**(823,924)**		**(804,584)**		**(794,849)**		**(667,550)**		**(579,550)**
Financing										
Direct Loan Repayments	*(459,455)*		*(958,698)*		*(915,276)*		*(1,042,745)*		*(913,267)*	
Early Repayments of MGRSB	*(5,905)*		*(5,295)*		*(5,098)*		*(4,392)*		*(2,104)*	
Foreign Loan Repayment	*(80,000)*		-		-		-		*(107,000)*	
Contributions to Sinking Funds - Foreign	*(30)*		*(30)*		*(15)*		-		-	
Contributions to Special MGS Sinking Fund	*(30,000)*		*(30,000)*		*(30,000)*		*(30,000)*		*(30,000)*	
Equity Acquisition	*(280)*		*(10,050)*		*(50)*		*(50)*		*(50)*	
Repayment of Loans to Government	*5,338*		*6,652*		*5,000*		*5,000*		*5,000*	
Sale of Shares / Assets	-		-		-		-		-	
		(570,332)		*(997,421)*		*(945,439)*		*(1,072,187)*		*(1,047,421)*
Public Sector Borrowing Requirement		*(1,394,256)*		*(1,802,005)*		*(1,740,288)*		*(1,739,737)*		*(1,626,971)*
Foreign Loans		*77,850*		-		-		-		-
Consolidated Fund balance as on 1 January	*(866,322)*		*(862,979)*		*(764,984)*		*(705,272)*		*(645,009)*	
Local Loans	*1,319,749*		*1,900,000*		*1,800,000*		*1,800,000*		*1,600,000*	
		453,427		*1,037,021*		*1,035,016*		*1,094,728*		*954,991*
Consolidated Fund balance as on 31 December		*(862,979)*		*(764,984)*		*(705,272)*		*(645,009)*		*(671,980)*
Consolidated Fund Surplus / Deficit		**(823,924)**		**(804,584)**		**(794,849)**		**(667,550)**		**(579,550)**
General Government Adjustments		**318,241**		**125,584**		**70,849**		**23,550**		**23,550**
General Government Surplus / Deficit		**(505,683)**		**(679,000)**		**(724,000)**		**(644,000)**		**(556,000)**
Gross Domestic Product	**24,664,030**		**26,347,600**		**28,080,200**		**29,821,100**		**31,610,400**	
General Government Surplus / Deficit as a % of Gross Domestic Product	**-2.1%**		**-2.6%**		**-2.6%**		**-2.2%**		**-1.8%**	

Table 5.3: Statement of Public Debt

					€ '000
	2025	**2026**	**2027**	**2028**	**2029**
Malta Government Stocks	9,245,058	10,311,698	11,199,159	12,042,434	12,822,024
Malta Government Retail Savings Bonds	287,672	189,862	184,764	117,549	50,845
Treasury Bills	775,319	689,791	630,230	569,417	596,838
Foreign Loans	490,079	489,965	489,850	489,850	382,850
EBU's / Local Councils	167,669	167,729	167,729	167,729	167,729
Currency	111,672	125,609	130,890	136,172	141,454
ESA Rerouted Debt	332,606	330,149	327,816	325,424	322,971
General Government Public Debt	**11,410,075**	**12,304,803**	**13,130,438**	**13,848,575**	**14,484,711**
Gross Domestic Product	24,664,030	26,347,600	28,080,200	29,821,100	31,610,400
Debt as a % of Gross Domestic Product	**46.26%**	**46.70%**	**46.76%**	**46.44%**	**45.82%**

CHAPTER 6. THE GOVERNMENT'S WORK

Mr Speaker,

I will now turn to the Government's plans and initiatives for the coming year.

Economy

No people or country can prosper without a strong economy. As a Government, we will continue to do our utmost to ensure that our economy not only continues to grow but also generates more high-quality wealth.

To this end, Malta Enterprise will continue to support businesses and industry through its various schemes. We will maintain incentives that support digitalisation, the transition towards greater automation and investment that generates high-quality added value. We will also offer various incentives to attract new niche sectors and further strengthen existing ones. This is how we will continue to diversify our economy.

In the financial sector, collaboration between the regulator and the MFSAC will continue, with the aim of improving the regulatory and administrative framework to attract further investment in this field. Family offices, crypto companies, fintech and aircraft leasing are all areas in which considerable work has already been undertaken, and their presence in our country continues to grow and strengthen.

In the tourism sector, our country has made significant strides. Thanks to improved connectivity, tourist arrivals have increased throughout the year, and we are likely to exceed 4.5 million tourists this year. But now we must look further ahead. In the coming months, we will review the incentives offered to airlines to attract tourists to our country. Such incentives must be more carefully designed to attract more tourists during the so-called shoulder and winter months. These same incentives must also be more targeted towards destinations that attract higher-value tourists.

I cannot speak about tourism without mentioning our national airline, KM Malta Airlines (KMMA). Over the past few months, work has been undertaken to gauge market interest in identifying a strategic partner for KMMA. By strategic partner, we mean another airline that can provide KMMA with the benefits of economies of scale, together with opportunities to expand its business. I must say that a number of non-disclosure agreements have been signed and that discussions are ongoing with several companies. Once these discussions have reached a sufficiently advanced stage, we will communicate the necessary information to ensure that everyone is informed of the way forward.

Schemes

Mr Speaker, over the past years, the Government has introduced new incentive schemes on an annual basis, whether in housing, to help people purchase or renovate their homes, in support of non-governmental organisations and sports organisations, for the purchase of electric vehicles, or in the field of renewable energy. The list of these schemes is extensive.

I want to reassure everyone following this speech that all the schemes currently in place will be renewed next year, across all sectors and in their existing forms.

Health

Investment in healthcare infrastructure has a clear goal: greater capacity, better care and services closer to the patient.

At Mater Dei Hospital, work has begun on the extension of the Emergency Department, which will double its treatment capacity from 35 to 70 spaces. We will also provide improved paediatric care facilities and dedicated spaces for our healthcare professionals to work and train. A new 135-bed mental health unit, complete with a therapeutic garden, will also be built. We will also invest in a new building for the Medical Imaging Department.

In Gozo, we will continue implementing the master plan for the Gozo General Hospital. We are planning nine additional outpatient clinics and an operating theatre for minor procedures. We will also expand the existing operating theatres and are planning a dedicated space for women's health services. Expanding healthcare services in Gozo will not only reduce the need for Gozitan patients to travel to Malta but will also enable these services to complement those provided at Mater Dei Hospital, helping to improve patient care and reduce waiting times.

Work is also under way in connection with the master plan for the regeneration of Karin Grech Hospital and St Luke's Hospital, with the aim of revitalising these facilities to better serve patients.

At present, the Government covers the travel costs of patients who need to receive medical treatment abroad. In the case of children receiving treatment abroad, the Government also covers the costs of both parents. I want to announce that, from next year, we will also begin covering the costs of one person accompanying an adult receiving treatment abroad.

Energy

The investment being undertaken by Enemalta is already delivering results. Since 2023, 208 new substations have been completed, more than 270 kilometres of cables have been laid, and essential equipment has been modernised. New distribution centres have also been completed in Naxxar, Siġġiewi, and Msida where an investment of €9 million doubled the capacity of the existing centre. In recent weeks, Enemalta launched the process to install two new 33 kV submarine electricity cables between Malta and Gozo, as part of a wider investment programme to strengthen the capacity, resilience and security of the islands' electricity supply.

When it comes to electricity distribution, we will invest around €75 million in the coming year, while continuing to develop a more secure, sustainable and independent system. The second interconnector with Sicily will double our interconnection capacity, while technical studies are under way for a third

interconnector and a new 132 kV connection between Malta and Gozo. Meanwhile, studies are continuing on the project for Malta's first offshore wind farm, with a projected capacity of 300MW, and we are continuing to explore opportunities to import renewable energy from North Africa.

Beyond elecricity supply, we also need greater energy storage capacity. We therefore remain determined to invest in large-scale batteries, providing the system with the flexibility and resilience it needs, while also creating opportunities for more domestic batteries. This investment will facilitate access to more renewable energy which, among other things, should help our country achieve its ambitious target of obtaining 25.0 per cent of its energy from renewable sources by 2030. In this regard, we are already making substantial progress, as in 2025 we had already reached 18.8 percent.

Infrastructure

Investment in our country's infrastructure over the past years has been unprecedented.

In 2027, work will continue on several important infrastructure projects, with millions of euros being invested in roads to improve connectivity, as well as in maritime infrastructure. These projects include the Msida Creek project, the extension of Pinto Wharves 4 and 5 and Lascaris Wharf, and the shore power supply project in the southern part of the Grand Harbour and at Lascaris Wharf, which is scheduled for completion by the end of 2028. Work will also continue on the slipway and berm project in Birżebbuġa, among other initiatives. These investments

reaffirm our commitment to further strengthening the country's infrastructure.

Education and Culture

A country's prosperity also depends on the education of its people and the protection and cultivation of its culture. As in previous years, we will continue to invest heavily in education, not only to provide the best possible equipment and learning environments at every level, but also to further develop the sector's human resources and ensure the highest standards of teaching for our students. We will also continue working to ensure that our education system caters for every student through different forms of learning. We want to ensure not only that no one is left behind, but also that everyone has the opportunity to progress further than previous generations.

Elite athletes representing Malta in international competitions will benefit from ten days paid sports leave when competing in European or world championships. This will also extend to accompanying members of their technical and medical teams, ensuring that they do not have to use their personal leave.

In the cultural sector, we will continue to invest and do everything possible to safeguard the cultural heritage we have inherited. Furthermore, we will continue to allocate additional resources to ensure that this sector, which has made considerable progress in recent years, and which provides employment opportunities for many people, continues to improve and advance in the coming years.

Environment, Agriculture and Fisheries

We will continue to allocate more funds, both recurrent and capital, to care and preservation of the Maltese landscape. We intend to achieve this by maintaining existing recreational spaces and by regenerating other areas that are currently neglected.

We must also protect the Maltese environment by ensuring that the land currently cultivated by our farmers continues to be farmed. We will see to it that we continue to provide all the necessary financial and technical support to farmers, fishermen, livestock breeders and everyone involved in food production and supply. The work carried out by these people is invaluable because they not only provide us with the food we consume every day but also help maintain the natural balance of our countryside and the seas surrounding our islands.

CHAPTER 7. CONCLUSION

Mr Speaker,

For years, we have witnessed record-breaking economic growth.

And we have reason to be proud of that progress.

Through that growth, we have seen wages increase, greater opportunities for people to improve their social and economic circumstances, and a country that has advanced on many fronts.

But Mr Speaker, now is the time to take another major leap forward in our country's economic development.

Just as we created the conditions that paved the way for our country's economic success in previous years, we will once again set a clear direction for where we want our country to go in the years ahead.

At a time when the pace of change around us is accelerating, we must also evolve our economic model at a faster pace.

Unless we invest more in improving skills and productivity, we will not be able to thrive in a modern economy increasingly shaped by artificial intelligence. The solutions that worked in the past will no longer work in the long run.

We must invest more. Both as a Government as well as in the private sector. And so, we want a much more productive economy. An economy that generates significantly higher added value. We must greatly strengthen our country's infrastructure to ensure that it meets the needs of our people.

We must adopt an increasingly long-term perspective.

Mr Speaker,

Our economic model has delivered strong results.

But now is the time to give it another boost.

And for that to happen, we must continue to change the way we work.

Through the measures announced in this Budget, we are sending clear signals.

We are reducing tax for businesses that reinvest their profits. At the same time, we are sending a clear signal that we want to reduce our dependency on more foreign workers.

We are increasing the contributions associated with the employment of third-country workers and with tourism, so that these activities bear a fairer share of the costs they generate, while encouraging greater investment in technology, productivity and higher-quality tourism.

This is a long-term process. It is not a change that will transform everything in a single year. But if we remain consistent in our approach, I believe we will achieve the desired results.

The model that has served us well since 2013 must continue to evolve if it is to serve us well in the future.

We will develop the way our economy grows, but not the principles on which we have built its success. And that is why this Budget is one of the most important in recent years.

Mr Speaker, there are things that are about to change, and others that we will not allow anyone to change.

Above all, our commitment to continue protecting Maltese and Gozitan families.

We will continue to keep energy and fuel prices stable.

We will continue to lower taxes.

We will continue to increase pensions.

And yes, we will honour our promise to deliver the Super Bonus.

We are able to do all this because we have managed the country's finances prudently, and because we believe that a Government must serve as a shield for its people.

For months, the Opposition tried to frighten families about what lay ahead.

Today, they have their answer.

Once again, they have been presented with another resilient, responsible Budget that honours its promises.

The Opposition has had every opportunity to put forward its vision for our country, to explain what it would do about foreign workers, and to present an alternative economic model for the future.

Instead, it had to be a Labour Government, now in its thirteenth year in office, to once again be the only political force in this country offering solutions and a clear sense of direction.

It has fallen to a Labour Government to remain the protector of families in the face of challenges abroad.

I am disappointed with the Opposition, but not surprised – because you cannot have a foot in both camps.

Today, we have shown that we have the courage to change what needs to be changed.

Therefore, continue to give us strength to ensure that fear does not triumph over hope.

Because with your courage, we have protected families.

With your courage, we taken difficult decisions.

With your courage, we will not falter in the face of a storm.

You gave us that courage last May. And we will not betray it.

For the future of our country will not be built by those who fear change, but by those who have the courage to bring it about.

STATEMENT A

REVENUE 2026 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD		APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
TAX REVENUE						
Direct -	Income Tax	3,482,000,000	3,835,000,000	353,000,000	-	Revenue trends and expectations show that higher revenue from income tax is expected to be generated by year end, when compared to the original budget in reflection of economic performance.
	Social Security	1,838,000,000	1,845,000,000	7,000,000	-	Additional revenue from Social Security Contributions is expected to materialise in light of current economic performance.
Indirect -	Customs and Excise Duties	326,000,000	330,330,000	4,330,000	-	Higher revenue is expected to be generated from *Import Duty - Ad Valorem*, *Machine-Made Cigarettes* and *Cement*, whereas lower receipts are anticipated mainly from P*etroleum* and *Mobile Telephone Services.*
	Licences, Taxes and Fines	473,205,000	512,205,000	39,000,000	-	A decrease in revenue projected under *Annual Circulation Licence Fee* will be accompanied by increased revenue collection under *Gaming Taxes* and *Stamp Duty*.
	Value Added Tax	1,695,000,000	1,835,000,000	140,000,000	-	Revenue trends suggest that collection with respect to *value added tax is* expected to be higher than the estimate that was arrived at when the 2026 budget was being prepared.
TOTAL TAX REVENUE		**7,814,205,000**	**8,357,535,000**	**543,330,000**		

STATEMENT A

REVENUE 2026 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
NON-TAX REVENUE					
Fees of Office	88,959,000	113,218,000	24,259,000	-	The main contributor to the increased revenue collection that is expected to materialise under Fees of Office when compared to the original budget, is *Residency Malta Agency* .
Sales	103,660,000	122,260,000	18,600,000	-	Higher revenue for the year is expected principally under *Revenue from Charging Pillars* , *Homes/Institutions for the Elderly* , *Sale of Government Lands* and *Proceeds from Auctioning of Emission Trading Units* .
Reimbursements	7,462,000	19,031,000	11,569,000	-	Adjustments to this item were necessary in order to account for transactions occurring as the year progressed.
Central Bank of Malta	0	10,000,000	10,000,000	-	The main contributor to the increased revenue collected is expected to materialise from the contribution received from the Central Bank of Malta.
Rents	37,700,000	67,000,000	29,300,000	-	The main contributors to the increased revenue collected is expected from *Temporary and Perpetual Leases* , *Rent of Commercial Tenements* , *Rent of Property occupied by Government Departments* and *Rent from Ex-Church Property (Joint Office)* .

STATEMENT A

REVENUE 2026 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
NON-TAX REVENUE (continued)					
Dividends on Investment	55,400,000	65,500,000	10,100,000	-	The revised forecast reflects the actual dividends which are expected to materialise by year end.
Interest on Loans made by Government	1,276,000	1,276,000	-	-	
Grants	300,000,000	300,000,000	-	-	
Miscellaneous Receipts	11,966,500	22,660,324	10,693,824	-	Adjustments to this item were necessary in order to account for transactions occurring as the year progressed.
TOTAL NON-TAX REVENUE	**606,423,500**	**720,945,324**	**114,521,824**		
TOTAL REVENUE	**8,420,628,500**	**9,078,480,324**	**657,851,824**		

STATEMENT A

REVENUE 2026 : REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
NON-ORDINARY REVENUE					
Loans	1,900,000,000	1,900,000,000	-	-	
Repayment of loans made by Government	2,784,000	6,652,000	3,868,000	-	
Proceeds from Sale of Shares	0	0	-	-	
TOTAL NON-ORDINARY REVENUE	**1,902,784,000**	**1,906,652,000**	**3,868,000**	**-**	
GRAND TOTAL	**10,323,412,500**	**10,985,132,324**	**661,719,824**	**-**	

STATEMENT B

RECURRENT EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
1 Office of the President	6,428,000	5,770,000	-	658,000	Lower expenditure is expected to result by year-end mainly under Personal Emoluments and Operational and Maintenance Expenses.
2 Parliamentary Services	15,295,000	15,295,000	-	-	
3 Office of the Ombudsman	2,003,000	2,003,000	-	-	
4 National Audit Office	6,000,000	6,000,000	-	-	
5 Commissioner for Standards in Public Life	600,000	600,000	-	-	
6 Office of the Prime Minister	96,349,000	104,542,000	8,193,000	-	Higher expenditure is estimated under the Personal Emoluments category, mostly under *Allowances* and the Operational and Maintenance Expenses, mostly under *Information Services* and *Contractual Services*. The actual estimated amount required is partly offset by savings under items transferred onto other Recurrent votes owing to the changes in ministerial portfolios which occurred during the year.
7 Information	1,706,000	1,881,000	175,000	-	
8 Government Printing Press	2,809,000	2,957,000	148,000	-	

STATEMENT B

RECURRENT EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
9 Electoral Office	5,951,000	17,884,000	11,933,000	-	Supplementary provision is required in the Programmes and Initiatives category (*Electoral Commission Activities*) to cover expenditure related to the General Election.
10 Public Service Commission	1,066,000	1,069,000	3,000	-	
11 Industrial and Employment Relations	2,766,000	3,016,000	250,000	-	
12 Ministry for Foreign Affairs and Tourism	227,719,000	282,771,000	55,052,000	-	Higher expenditure is expected under the Operational and Maintenance Expenses category and Contributions to Government Entities (*Malta Tourism Authority*).
13 Ministry for Culture, Lands and Local Government	107,550,000	122,800,000	15,250,000	-	Higher expenditure is anticipated under the Personal Emoluments category (*Allowances*), under the Programmes and Initiatives category (*Malta Song for Europe*, *Charges on Property transferred from the Church* and *Digital Games*) and under the Contributions to Government Entities category (*Malta Film Commission*). Expenditure is also expected to be higher under the Programmes and Initiatives and the Contributions to Government Entities categories resulting from items transferred from another Ministry due to a reallocation of portfolios and assignment of Ministries' responsibilities which occurred during the year. Furthermore, the actual estimated amount required is partly offset by savings under items transferred onto other Recurrent votes owing to the changes in Ministerial portfolios which occurred during the year.

STATEMENT B

RECURRENT EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
14 Local Government	64,401,000	75,901,000	11,500,000	-	Higher expenditure is expected under the Programmes and Initiatives category (*Allocation to Regional Committees* and *Allocation to Local Councils Association*) due to higher requirements under this item resulting as the year progressed.
15 Ministry for Social Policy and Children's Rights	78,832,000	81,772,000	2,940,000	-	Increases are projected under Personal Emoluments, mainly under *Allowances* and under the Operational and Maintenance Expenses category (*Information Services* and *Contractual Services*). Higher expenditure is also anticipated under Programmes and Initiatives (*Energy Support Measures*) following the increase of the income threshold for couples eligible for this benefit and under the Contributions to Government Entities category (*Foundation for Social Welfare Services*) to cover the increase in the capacity building.
16 Social Policy	622,688,000	620,924,000	-	1,764,000	Lower expenditure is anticipated under the *State Contribution* in the Programmes and Initiatives category in reflection of lower social security contributions expected to be received.
17 Social Security Benefits	1,744,795,000	1,764,795,000	20,000,000	-	Higher expenditure is expected to reflect the actual number of beneficiaries resulting as the year progressed.
18 Pensions	104,775,000	105,275,000	500,000	-	Higher expenditure is anticipated as a result of a pension entitlements of former employees.

STATEMENT B

RECURRENT EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
19 Ministry or Agriculture, Fisheries and Animal Rights	70,328,000	81,703,000	11,375,000	-	Higher expenditure is expected under the Personal Emoluments category, mainly under *Allowances,* under the Operational and Maintenance Expenses category (*Contractual Services*), as well as under the Programmes and Initiatives category (*Agriculture and Fisheries Fairs*, *Temporary Price Stabilization Schemes*, *Animal Welfare Initiatives* and *School Food Scheme*). Higher expenditure is also envisaged under the Contributions to Government Entities category (*Malta Food Agency*).
20 Ministry for Social and Affordable Accommodation	81,433,000	99,026,000	17,593,000	-	Higher expenditure is expected under *Housing Programmes* and *Grant for First Time Buyers* within the Programmes and Initiatives category. Under the Contributions to Government Entities category, expenditure is expected to be higher than originally projected due to the transfer of the *Lands Authority* and the *Land Registration Agency* from another Ministry due to the redistribution of portfolios following the General Election.
21 Ministry for the Economy, Enterprise and Strategic Projects	60,772,000	66,188,000	5,416,000	-	Higher expenditure is anticipated in the Programmes and Initiatives category (*Malta Digitali*, *E-Sport Policy* and *AI and IOT Projects*) and the Contributions to Government Entities category (*Malta Enterprise*).
22 Commerce	2,208,000	2,552,000	344,000	-	
23 Ministry for Inclusion and the Voluntary Sector	68,919,000	69,749,000	830,000	-	Higher expenditure is anticipated in the Contributions to Government Entities category (*Sapport*).

STATEMENT B

RECURRENT EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
24 Ministry for Gozo and Planning	94,538,000	100,152,000	5,614,000	-	Higher expenditure is expected to be registered under the Personal Emoluments category and under the Operational and Maintenance Expenses category (*Utilities*).
25 Ministry for Home Affairs, Security and Employment	175,130,000	153,742,000	-	21,388,000	Lower expenditure is expected under the Programmes and Initiatives and the Contributions to Government Entities categories resulting from items transferred to another Ministry owing to a reallocation of portfolios and assignment of Ministries' responsibilities which occurred during the year.
26 Armed Forces of Malta	100,609,000	105,459,000	4,850,000	-	Higher expenditure is expected to be registered under the Personal Emoluments (*Allowances*) and the Operational and Maintenance Expenses categories (*Contractual Services*).
27 Police	126,557,000	129,720,000	3,163,000	-	Higher expenditure is expected to be registered under the Personal Emoluments category.
28 Probation and Parole	1,988,000	2,137,000	149,000	-	
29 Civil Protection	18,345,000	19,223,000	878,000	-	Higher expenditure is expected to be registered under the Personal Emoluments category (*Allowances*) due to a new collective agreement.
30 Ministry for the Environment, Energy and Public Cleanliness	470,327,000	671,292,000	200,965,000	-	Higher expenditure is anticipated under the Personal Emoluments category (*Allowances*), under the Programmes and Initiatives category (*Domestic Battery Storage Energy Efficiency Schemes*, *Energy Support Measures* and *Jet A1 Security Stock Obligations)* and also under the Contributions to Government Entities (*Project Green*).

STATEMENT B

RECURRENT EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
31 Ambjent Malta	21,939,000	21,369,000	-	570,000	Lower expenditure is expected under the Personal Emoluments and the Programmes and Initiatives categories.
32 Ministry for Finance	337,731,000	371,606,000	33,875,000	-	Higher expenditure is projected under the Operational and Maintenance category (*Contractual Services*), under *Residual Balance Fund Committee*, *EU Own Resources*, *Court Judgements* and the *National Airline Restructuring Assistance* within the Programmes and Initiatives category and also under the *Malta Statistics Authority* within the Contributions to Government Entities category.
33 Economic Policy	2,179,000	2,456,000	277,000	-	
34 Treasury	45,900,000	51,361,000	5,461,000	-	Expenditure is expected to be higher under the Programmes and Initiatives category (*Expenses linked to the issuance of Malta Government Stocks* and *Tax Relief Measure*).
35 Public Debt Servicing	1,330,199,000	1,319,965,000	-	10,234,000	Expenditure under *Local Borrowing* will be lower than originally forecast with respect to the *Interest (MGS* and *Other Local Loans)* items.
36 Malta Tax and Customs Administration	56,047,000	61,202,000	5,155,000	-	Higher expenditure is anticipated under the Personal Emoluments category (*Allowances*) and also under the Programmes and Initiatives category (*Refunds under the VAT/CET Acts* and *Expenditure Reporting Schemes*).
37 Contracts	3,777,000	4,375,000	598,000	-	Expenditure is expected to be higher than originally projected under the Personal Emoluments category (*Allowances*).

STATEMENT B

RECURRENT EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
38 Ministry for Education, Sport, Youth, Research and Innovation	587,270,000	582,169,000	-	5,101,000	Lower expenditure is expected to be registered under the Programmes and Initiatives mainly in the allocation of *Assistance to Private Schools* .
39 Education	508,894,000	527,865,000	18,971,000	-	Higher expenditure is anticipated under Personal Emoluments. Other increases are anticipated under the Operational and Maintenance Expenses (*Rent* and *Contractual Services*) and Programmes and Initiatives category (*Extension of School Transport Network*).
40 Ministry for European Funds and the Implementation of the Electoral Manifesto	13,046,000	17,094,000	4,048,000	-	Expenditure is expected to be higher under the Programmes and Initiatives and the Contributions to Government Entities categories resulting from items transferred from another Ministry due to a reallocation of portfolios and assignment of Ministries' responsibilities which occurred during the year.
41 Ministry for Justice and Reform of the Construction Sector	86,705,000	90,378,000	3,673,000	-	Expenditure is expected to be higher under the *Court Services Agency* within the Contributions to Government Entities category due to higher requirements as the year progressed.
42 Ministry for Health and Active Ageing	1,240,546,000	1,267,501,000	26,955,000	-	Higher expenditure is expected under the Personal Emoluments (*Allowances*), under the Operational and Maintenance Expenses category (*Contractual Services*) and under the Programmes and Initiatives category (*Medicines and Surgical Materials*) due to higher requirements under these items.

STATEMENT B

RECURRENT EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
43 Active Ageing	337,599,000	412,259,000	74,660,000	-	Higher expenditure is expected under the Personal Emoluments category, the Operational and Maintenance Expenses category (*Contractual Services*) and under the Programmes and Initiatives category (*Residential Care in Private Homes*, *Home Care/Help Services Scheme* and *St.Vincent de Paule Residence Service Contract)*.
44 Ministry for Transport, Infrastructure and Public Works	208,754,000	262,139,000	53,385,000	-	Higher expenditure is anticipated under Personal Emoluments (*Salaries and Wages* and *Allowances*) and under the Operational and Maintenance Expenses category (*Professional Services*). Expenditure is also envisaged to be higher under the Programmes and Initiatives category (*Transport Malta - Administrative Fee*, *Grant for Electric Vehicles* and *Barrakka Lift Contribution*). Higher expenditure is also anticipated under *Jobsplus* and the items related to this agency under both the Programmes and Initiatives and Contributions to Government Entities categories (*Child Care for All*, *Jobsplus Programmes* and *Payment to Atypical Workers*), which have been transferred from another Ministry following a reallocation of portfolios and assignment of Ministries' responsibilities which occurred during the year.
TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING	**9,143,473,000**	**9,707,937,000**	**564,464,000**	-	

STATEMENT C

CAPITAL EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
I Office of the President	580,000	680,000	100,000	-	Higher expenditure is anticipated under *Property, Plant and Equipment.*
II Parliamentary Services	1,174,000	1,174,000	-	-	
III National Audit Office	1,200,000	1,200,000	-	-	
IV Office of the Prime Minister	57,945,000	49,707,000	-	8,238,000	Although higher expenditure is anticipated under *Property, Plant and Equipment* (*Ministry*), lower expenditure is anticipated under *MITA Services*, *ICT-Software and ICT-Support* (*Ministry*), and under *Address Register* (*Electoral Office*).
V Ministry for Foreign Affairs and Tourism	11,669,000	12,919,000	1,250,000	-	The higher expenditure that is expected under *Property, Plant and Equipment* (*Ministry*) will be partially offset by lower expenditure under *ICT-Support*.
VI Ministry for the Culture, Lands and Local Government	72,062,000	120,279,000	48,217,000	-	Higher expenditure is expected mainly under the *Lands Authority - Acquisition of Property for Public Purposes* (*Manoel Island*) item.
VII Ministry for Social Policy and Children's Rights	7,992,000	7,953,000	-	39,000	
VIII Ministry for Agriculture, Fisheries, Food and Animal Rights	46,738,000	46,789,000	51,000	-	The net higher expenditure is anticipated under the *Property, Plant and Equipment - Malta Food Agency* item.

STATEMENT C

CAPITAL EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
IX Ministry for Social and Affordable Accommodation	241,000	1,825,000	1,584,000	-	Higher expenditure is due to the increased expenditure under the items *Lands Authority - Repairs to Government Tenaments* and *Property Plant and Equipment - Lamd Registration Agency* which were previously under another Ministry.
X Ministry for the Economy, Enterprise and Strategic Projects	80,707,000	75,895,000	-	4,812,000	Lower disbursements are expected to be made by *Malta Enterprise*.
XI Ministry for Inclusion and the Voluntary Sector	6,371,000	7,316,000	945,000	-	Higher expenditure is anticipated under *EU funded Projects for NGO's, ICT - Software* (*Ministry*), and *Aġenzija Sapport.*
XII Ministry for Gozo and Planning	27,544,000	29,470,000	1,926,000	-	The net increase in expenditure is expected to be registered in relation to the *Eco-Gozo* and *Gozo Museum*.
XIII Ministry for Home Affairs, Security and Employment	90,484,000	80,912,000	-	9,572,000	The net lower expenditure is the result of the reallocation of Ministerial portfolios in relation to the *Identity Malta Agency.*
XIV Ministry for the Environment, Energy and Public Cleanliness	274,767,000	263,181,000	-	11,586,000	Lower expenditure is expected under *Urban Greening* projects, offset by an increase in *Water Services Corporation - Contribution towards Capital projects*.
XV Ministry for Finance	21,654,000	31,168,000	9,514,000	-	The increase in expenditure is expected under *Investment - Equity Acquisition.*

STATEMENT C

CAPITAL EXPENDITURE 2026: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED ESTIMATE €	REVISED ESTIMATE €	VARIATION + €	VARIATION - €	REMARKS
XVI Ministry for Education, Sport, Youth, Research and Innovation	99,916,000	108,423,000	8,507,000	-	The increase in expenditure is mainly attributable to the *Ħal Far Race Track* .
XVII Ministry for European Funds and the Implementation of the Electoral Programme	58,084,000	57,983,000	-	101,000	The net lower expenditure is the result of the reallocation of Ministerial portfolios in relation to the line items *Casa Leoni Restoration* and *Property, Plant and Equipment - Malta Competition and Consumer Affairs Authority* .
XVIII Ministry for Justice and Reform of the Construction Sector	7,255,000	14,853,000	7,598,000	-	Additional expenditure is expected to be incurred in relation to works to be carried out under *Property, Plant and Equipment* .
XIX Ministry for Health and Active Ageing	106,686,000	112,027,000	5,341,000	-	Higher expenditure is anticipated under *Property, Plant and Equipment* (*Institutional Health Care* , *Mater Dei Hospital* and *Paola Secondary Health Services*). This is partially compensated by lower expenditure under *ICT-Support.*
XX Ministry for Transport, Infrastructure and Capital Projects	150,495,000	155,546,000	5,051,000	-	Higher expenditure is anticipated under *Reconstruction of Lascaris Wharf* , *Enhancement of Public Areas* and *Town Centre Management Paceville* . This is partly offset through lower expenditure under the *Ta' Qali National Park* .
TOTAL CAPITAL EXPENDITURE	**1,123,564,000**	**1,179,300,000**	**55,736,000**	**-**	