

MOMENTUM



PRE-BUDGET PROPOSALS

2027

A Vision for Tomorrow

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Momentum's vision for Malta is an economy that delivers sustainable growth, a better quality of life and a fairer future for everyone. Our proposals are built on fairness, innovation, environmental responsibility and accountable governance, ensuring that economic progress benefits workers, families, businesses and communities alike. By investing in people, strengthening local enterprise and protecting our natural and cultural heritage, we believe Malta can build a more resilient, prosperous and sustainable future.

New Government Revenues

To achieve fiscal sustainability without burdening ordinary households, the government should generate major new revenues, eliminate unfair market advantages, and deliver direct benefits to everyday families. Strong financial gains would come from raising the effective tax rate on foreign corporations, rewarding honest local businesses with a lower tax rate, and saving millions by ending taxpayer-funded energy subsidies for large hotels and cutting fuel tax breaks for luxury superyachts and private jets. The government could further boost public funds through a new fee on large companies that rely heavily on foreign workers to help pay for local council services, a fair water-use fee on commercial factories and bottling plants to fix our underground water supply while keeping local farming free, and a tax on empty second homes to stop property hoarding and make housing more affordable for young buyers.

Better Wages, Mobility, and Quality of Life

The funds saved and generated through these fiscal measures should be reinvested directly in wage support, public services, green infrastructure, and research. For working families, the budget should prioritise raising household incomes by a gradual increase of the minimum wage to €360 per week, while protecting living standards by making annual cost-of-living adjustments fully tax-free and offering a flat 15% income tax rate to fresh graduates and returning professionals. To tackle the housing crisis, tax revenues from vacant second homes would directly fund affordable social housing, while local artists would benefit from strong tax exemptions. To ease daily travel and reduce stress, Momentum proposes a strong investment overhauling public transit with a subsidised shared-cab service to cut traffic congestion, 300 new electric buses, safer, walkable pavements, and real-time transit apps. Public spending should boost national research and development from 0.6% toward the EU average of 2.2% of GDP, create high-value jobs, offer a 0% tax rate on intellectual property income, and transform the Gozo Innovation Hub into an active startup incubator. Finally, local towns should directly benefit from increased council funding derived from short-let licenses and traffic fines, the creation of Gozo's new national park at Fort Chambray, and capital grants for families, businesses, and voluntary groups to install solar panels and battery storage, thereby permanently lowering their energy bills.

1. Tax Incentives, Reliefs & Credits

To foster a competitive, high-value economy and support working families, the tax framework focuses on direct relief for workers, encouraging the retention of local talent, and rewarding business innovation. These targeted fiscal measures aim to modernise Malta's tax structure while easing the burden of inflation.

- **Income Tax & Workers:**
 - **Decent Living Wage Target:** Increase minimum wage to **€360/week** over a 4-year phased transition.
 - **Tax-Free COLA:** Yearly Cost of Living Adjustments are fully exempt from income tax.
 - **Returning Graduates & Professionals:**
 - **Level 7–8 graduates/professionals returning after 5+ years abroad:** Flat **15% income tax rate** for the first 10 years.
 - **Fresh graduates:** Flat **15% income tax rate** for their first 5 years post-graduation.
- **Corporate, Business & Innovation Tax:**
 - **Level Playing Field Corporate Tax Reform:** Gradually increase foreign corporate tax rates to **20%** over 5 years while reducing domestic corporate tax rates to **20% over the same period**.
 - **R&D & Intellectual Property:**
 - **0% tax rate on IP income** for 5 years for companies investing more than 10% of annual turnover in RD&I, capped at **10% thereafter**.
 - General tax breaks for businesses generating activity from patents, research, and creative ideas.
 - **Capital Gains Exclusions:** Exclude Employee Share Option Schemes from capital gains tax.
 - **Green Energy Incentives:** Tax incentives for investments in wind, solar, wave, geothermal, and battery storage systems.
 - **Young Farmers:** Tax incentives and European Agricultural Guarantee Fund financing for young agricultural entrepreneurs.

2. Business Subsidies & Local Industry Support

Recognising that economic shifts must not place an undue burden on small enterprises, Momentum outlines strategic state support mechanisms. These measures aim to help micro-enterprises and local businesses adapt to higher living standards while rebalancing local infrastructure demands.

- **Wage-Support Mechanism**

The government co-finances **65% of the minimum wage increase** for 2 years for small/medium enterprises that retain staff for 2 years during the 4-year living wage ramp-up.

- **Voluntary Sector Release Scheme**

Tax rebates for private employers who release staff for voluntary work are treated on par with charitable donations.

- **Third-Country National Infrastructure Fee**

A tiered infrastructure fee is imposed on companies where more than 30% of the workforce are TCNs; businesses with fewer than 50 employees are exempt. The objective is to fund local infrastructure and address the public costs associated with rapid population growth,

3. Housing & Property Taxation

Addressing Malta's housing crisis requires curbing speculative vacancies and protecting tenant and landlord rights without penalising ordinary homeowners. Momentum's property platform introduces targeted fiscal tools to discourage market speculation and directly fund affordable social housing.

- **Property Speculation Tax**

Tiered fee on **second vacant residential properties** onwards (calculated via utility meter multipliers based on property size and duration vacant). The objective is to bring more homes onto the rental market and discourage speculative ownership.

- *Exemptions:* Primary residence, 1st vacant property (e.g., summer house/second home, registered rentals, commercial properties, offices, garages, warehouses).
- *Destination of Funds:* Revenues for **social housing projects**.

4. Arts, Culture & Creative Sector Finances

Momentum considers culture and the arts to be essential public goods that require dedicated financial protection and sustainable funding. These proposals aim to guarantee income security for creators, integrate public art into urban development, and tax the exploitation of AI models to reinvest directly in human talent.

- **Tax Exemption for Artists**

The first **€30,000 of income** earned by artists is fully exempt from income tax (building on the existing 7.5% preferential artist rate).

- **2% Public Art Mandate**

Developers are required to allocate **2% of the total project costs** for large developments to public art, murals, or performances.

- **Creative Data Usage Tax**

Tax levied on companies training generative AI models on Maltese IP; funds funnelled into a grant system for human artists producing certified human-led works.

- **Tourism Revenue Sharing**

A portion of the national tourism budget is redirected directly to Local Councils for local cultural events.

5. Voluntary Sector & Fiscal Allocations

Civil society and voluntary organisations form the backbone of community welfare in Malta, yet they often face unnecessary financial and administrative barriers. The proposed reforms decentralise funding decisions, empower taxpayers to direct their own tax contributions, and remove restrictions on funding operational overheads.

- **8-per-Mille ("Otto per Mille") Tax Allocation**

Taxpayers can designate **0.8% of their income tax** to an enrolled Voluntary Organisation (VO) of their choice.

- **Expanded Donation Tax Rebate**

Tax rebates for donations expanded to cover **all enrolled VOs** (beyond disability, animal welfare, and arts).

- **MCVS Grant Reform**

Remove the restriction preventing Malta Council for the Voluntary Sector funds from covering VO staff salaries.

- **Electricity Tariff Structure Reform**

Reform non-residential utility tariffs so small VOs do not cross-subsidise large commercial operations.

6. Local Councils

To ensure local governance is effective and responsive to community-specific pressures, Momentum advocates for true fiscal decentralisation. These fiscal measures provide Local Councils with diverse, autonomous revenue streams tied directly to tourism, traffic, and local development impacts.

- **Revenue Diversification**

Grant Local Councils direct revenue streams from:

- Short-let (e.g., Airbnb) license fees.
- Pro-rata share of traffic fine revenues.
- Allocations based on local tourism impact, traffic flow, and environmental pressures.

- **Performance-Based Budgeting**

Council budget allocations tied to performance targets.

7. State Governance & Institutional Expenditure

A fair economic system relies on transparent, accountable governance and the responsible spending of public funds. Momentum proposes fundamental public sector reforms to eliminate patronage, strengthen oversight institutions, and ensure that political parties are funded transparently rather than by private interest groups.

- **State Funding of Political Parties**

Public state funding formula for political parties with enforceable caps on private/corporate contributions and full disclosure above defined thresholds.

- **Audit & Transparency**

- Significantly expand funding and staffing for the **National Audit Office**.
- Mandatory publication of all government consultation/expert advice spending.

- **Public Servants Severance**

Voluntary severance packages for redundant public servants identified during audits, tied to a mandatory 5-year exclusion from public sector re-employment.

- **Full-Time MPs**

Professionalise Parliament into full-time roles with competitive salaries and strict anti-conflict rules.

8. Transport & Infrastructure Investment Plan

Partit Momentum proposes a landmark restructuring of Malta's mobility network, prioritising immediate, tech-driven solutions over long-term, disruptive megaprojects. At the heart of this strategy is a multi-modal ecosystem designed to drastically reduce traffic congestion and reliance on private cars.

- **Core Strategy: Subsidised Shared Cab Initiative**

- **€234,000,000 / year** in annual fare subsidies (for the first 2 years) to lock in low, non-surge shared cab pricing for 60 million passenger trips/year.
- **€2,000,000** for app upgrades to integrate AI-driven shared-ride functionality across existing cab platforms.
- **€2 flat fee** for youths (15–24) and the elderly (65+) during Phase 1 (2026–2028).
- **Net National Economic Benefit:** The €234M subsidy is offset by **€50M in time savings**, **€42M in fuel savings**, and **€220M in reduced capital outflow** from imported vehicles, yielding a **net national surplus of €78M/year**.

- **Public Transit & Active Mobility**

- **€150,000,000** to acquire 300 new buses and establish high-frequency direct routes.
- **€100,000,000** to upgrade 2,000 bus stops (shelters, seating, electronic signage).
- **€100,000,000** for pavement overhauls and walkable "first and last kilometre" connections.
- **€20,000,000** to expand the bus lane network.
- **€2,100,000** for real-time commuter transit technology (app occupancy features, TV channel, freephone).
- **€600,000** for bus stop density optimisation (10% reduction) to improve transit flow.

9. Subsidies

Momentum proposes ending untargeted blanket subsidies and the free commercial extraction of groundwater. By phasing out taxpayer-funded utility shields for overperforming commercial activity, ending fuel tax exemptions for luxury craft, and charging commercial groundwater users, these measures eliminate market distortions, protect baseline household consumption, and fund long-term green infrastructure.

- **Phase Out Utility Subsidies for Tourist Accommodation**

- **Fair Pricing for Commercial Accommodation:** Phase out energy and water subsidies for commercial tourist accommodation over three years. Eliminate the capping mechanism that allows hotels and tourist accommodations to purchase water and electricity at commercial rates at or below household baselines. Ending utility shields for hotels will curb excessive hotel construction while shifting the industry toward genuine "quality over quantity" tourism.

- **End Fuel Subsidies for Luxury Superyachts & Private Jets**
 - **Restrict Carbon & Fuel Exemptions:** Strictly limit fuel subsidies and tax exemptions to essential public transport, scheduled commercial passenger flights, and essential freight (e.g., food, medicine, and Gozo supply links).
 - **Full Taxation on Luxury Craft:** Eliminate state fuel subsidies and apply full carbon and environmental taxes to fuel used by luxury superyachts, private jets, and non-essential commercial leisure craft.
- **Shift from Blanket Subsidies to Targeted Social Protection**
 - **100% Protection for Basic Consumption for Household & SME Consumption:** Transition away from untargeted blanket subsidies toward a progressive, tiered structure. Provide 100% subsidy protection for essential household energy baselines and small businesses, while applying standard rates to excessive luxury consumption.
- **Redirect Energy Subsidies into Long-Term Green Infrastructure**
 - **Solar Mandate for Public & Industrial Buildings:** Reinvest a percentage of the annual energy subsidy budget to roll out solar installations across all government buildings, public schools, and industrial parks. Such installations can also be funded by issuing bonds to the public.
 - **Fund Micro-Grid & Battery Storage Grants:** Divert fiscal spending from fossil-fuel subsidies toward direct capital grants for household and business battery storage systems, increasing grid resilience and reducing reliance on fuel imports.
 - **Community Energy Initiatives for VOs:** Fund regulatory frameworks and capital grants for EU-aligned community energy-sharing schemes, allowing VOs without roof space to benefit from shared solar installations.
- **Introduce a Progressive Commercial Groundwater Extraction Fee**
 - **End Free Commercial Pumping:** Enact a volumetric resource tax on groundwater extracted via private commercial boreholes used in the construction industry, manufacturing of bricks, bottling plants, hotels, and commercial water bowser distribution. Establishing a rising tiered tariff structure where heavy industrial users pay higher per-litre rates.
 - **Protection for Farmers:** Zero tariffs strictly for registered agricultural food production to safeguard local food security.
 - **Ring-Fenced Environmental Fund:** Direct all revenue generated from commercial groundwater extraction fees toward a dedicated **Aquifer Restoration & Rainwater Harvesting Fund** to finance eco-friendly water management and infrastructure projects across Malta and Gozo.

10. Research and Development

To build a high-value knowledge economy and stop brain drain, Momentum proposes raising national R&D spending, supporting corporate R&D, and academic reforms. These measures incentivise private innovation and empower local researchers.

- Investment in R&D

- **Boost national R&D:** Increase spending on research from 0.6% to the EU average of 2.2% of GDP.
- **Funding for long-term projects:** Provide funding for projects longer than two years to sustain PhD programmes and provide greater stability for postdoctoral researchers.
- **National Fellowship:** Provide funding for fellowships similar to the EU Marie Skłodowska-Curie Actions Postdoctoral Fellowships and the European Research Council fellowships.
- **0% IP Tax Rate:** Grant 0% tax on Intellectual Property income for 5 years (capped at 10% thereafter) to companies spending greater than 10% of turnover on R&D.

- Research centres

- **Academic Reforms:** Allow UM and MCAST researchers to apply directly for funding, transition into full-time research roles, and safeguard grant timelines during sick or parental leave.
- **National Geological Service:** Establish an independent state body to manage ground safety, mapping, coastal erosion, and national resource assessments, ending Malta's status as the only EU country without one.
- **Activate the Gozo Innovation Ecosystem:** Transform the Gozo Innovation Hub into an active startup incubator. Provide targeted tax credits, R&D grants, and local venture capital incentives to attract high-value tech, financial, and digital firms to

11. GOZO

Momentum prioritises Gozo by granting it true regional autonomy, protecting its heritage, and promoting sustainable mobility. These proposals empower Gozitans with direct control over regional development and protect key open spaces from commercial exploitation.

- **Regional Governance & EU Funding**

- **European Regional Status:** End Gozo's semi-autonomous status and transform it into a formal, recognised European region with its own directly elected regional council.
- **Direct EU Fund Access:** Empower Gozo's regional authority to directly access and manage European regional development funds, enabling it to control its own local infrastructure and community projects.
- **Transition to Zero-Emission Hybrid/Electric Vessels:** Instead of relying on carbon-intensive fossil-fuel vessels, Momentum advocates greening inter-island maritime transport by investing in zero-emission or hybrid ferry options, supported by EU green infrastructure funding.

- **National Park**

- **Fort Chambray National Park:** Reclaim and convert the undeveloped and unrestored portions of Fort Chambray into Gozo's premier national park. This proposal halts further commercial exploitation, restores historical British barracks, and guarantees Gozitans high-quality green community space on par with proposals for Malta.

