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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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Subject:	Recommendation for a COUNCIL DECISION abrogating Council Decision (EU) 2024/2128 on the existence of an excessive deficit in Malta

Delegations will find attached document COM(2026) 303 final.

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COUNCIL DECISION

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Recommendation for a

COUNCIL DECISION

abrogating Council Decision (EU) 2024/2128 on the existence of an excessive deficit in Malta

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union (TFEU), and in particular Article 126(12) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

(1) Article 126(1) of TFEU provides that Member States are to avoid excessive government deficits.

(2) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong, sustainable and inclusive growth underpinned by financial stability, thereby supporting the achievement of the Unions's objectives for sustainable growth and employment. The Stability and Growth Pact includes Council Regulation (EC) No 1467/97 of 7 July 1997[1] on speeding up and clarifying the implementation of the excessive deficit procedure, which was adopted in order to further the prompt correction of excessive general government deficits.

(3) On 26 July 2024, the Council adopted Decision (EU) 2024/2128[2] under Article 126(6) TFEU on the existence of an excessive deficit in Malta due to non-compliance with the deficit criterion.

(4) On 21 January 2025, the Council adopted a Recommendation under Article 126(7) TFEU[3] with a view to bringing an end to the situation of an excessive government deficit. The Council recommended a corrective path for Malta in accordance with Article 3(4) of Regulation (EC) 1467/97 with the following maximum growth rates of net expenditure[4]: 6.0% in 2025, 5.8% in 2026 and 5.8% in 2027. This corresponds to

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1 Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, ELI: http://data.europa.eu/eli/reg/1997/1467/2024-04-30) as last amended by Council Regulation (EU) 2024/1264 of 29 April 2024 (OJ L, 2024/1264, 30.4.2024).

2 Council Decision (EU) 2024/2128 of 26 July 2024 on the existence of an excessive deficit in Malta (OJ L 2024/2128, 01.08.2024, ELI: http://data.europa.eu/eli/dec/2024/2128/oj).

3 Council Recommendation of 21 January 2025 with a view to bringing an end to the situation of an excessive deficit in Malta. All documents related to the excessive deficit procedure of Malta can be found at: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/Malta_en.

4 According to Article 2(2) of Regulation (EU) 2024/1263, 'net expenditure' means government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of

the maximum cumulative growth rates calculated with reference to 2023 of 13.8% in 2025, 20.4% in 2026 and 27.4% in 2027. These are the same annual and cumulative growth rates for 2025-2027 set in the Recommendation endorsing the national medium-term fiscal-structural plan of Malta.[5] Based on the Commission Autumn 2024 Forecast that underpinned this recommendation and the Commission medium-term government debt projection framework, adherence to this corrective path was expected to lead to a deficit no longer exceeding the 3% of GDP reference value by 2027.

(5) In accordance with Article 126(12) TFEU, a Council decision on the existence of an excessive deficit is to be abrogated when the excessive deficit in the Member State concerned has, in the view of the Council, been corrected.

(6) In accordance with Article 4 of Protocol No 12 on the excessive deficit procedure, annexed to the Treaty on European Union and the TFEU, the Commission provides the data for the implementation of the excessive deficit procedure. As part of the application of that Protocol, Member States are to report data on government deficits and debt and other associated variables twice a year, namely before 1 April and before 1 October, in accordance with Article 3 of Regulation (EC) No 479/2009[6].

(7) The Council takes a decision to abrogate a decision on the existence of an excessive deficit on the basis of data provided by the Commission. A decision on the existence of an excessive deficit due to non-compliance with the deficit criterion should be abrogated only if the deficit has been brought below the 3% of GDP reference value and the Commission forecasts indicate the deficit to remain so in the current and following year, in accordance with Article 8(3) of Regulation (EC) No 1467/97.

(8) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009, following the April 2026 reporting by Malta[7], and by the Commission Spring 2026 Forecast, the following conclusions can be drawn:

– After reaching 3.4% of GDP in 2024, the general government deficit fell to 2.2% of GDP in 2025, thus below the 3% of GDP reference value. The government deficit in 2024 included a sizable capital transfer to the national airline company. Notwithstanding the non-repetition of that capital transfer, government expenditure grew substantially in 2025, including as a result of sizeable increases in spending on intermediate consumption and compensation of employees, as well as a one-off expenditure arising from a court decision. The decrease in the deficit was therefore mainly driven by strong government revenue growth, driven by nominal GDP growth and significant tax windfalls. Compared with the planned deficit for 2025

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the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-off and other temporary measures.

5 Council recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Malta, (OJ C, C/2025/649, 10.02.2025, ELI: http://data.europa.eu/eli/C/2025/649/oj).

6 Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (OJ L 145, 10.6.2009, p. 1) as last amended by Commission Regulation (EU) No 220/2014 of 7 March 2014 (OJ L 69, 8.3.2014, p. 101–101).

7 See Eurostat Euro indicators of 22 April 2026 https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-22042026-ap

reported in the October 2025 reporting, the 2025 deficit was 1.1 pps. of GDP lower, due to lower-than-planned investment spending and stronger-than-expected revenues from corporate taxation.

– The Commission Spring 2026 Forecast projects a deficit of 2.2% of GDP in 2026 and 2.1% of GDP in 2027, thus indicating that the deficit would remain below the 3% of GDP reference value. The projection of a broadly stable deficit ratio reflects expectations of continued sizeable expenditure growth, including as a result of the higher cost of energy subsidies, offsetting higher revenues from favourable economic conditions. In the April 2026 reporting, Malta reported a planned general government deficit for 2026 that would decline to 1.6% of GDP.

(9) Based on Commission calculations[8], net expenditure in Malta grew by 5.6% in 2025 and 22.2% cumulatively over 2024 and 2025. The net expenditure growth rate in 2025 is below the recommended annual maximum growth rate. However, when considering 2024 and 2025 together, the cumulative growth rate of net expenditure is above the recommended maximum growth rate, corresponding to a deviation of 2.3% of GDP in cumulative terms. The high net expenditure growth rate in 2024 was driven by the above-mentioned capital transfer to the national airline company. Net expenditure in Malta is projected to grow by 6.1% in 2026 and 29.7% cumulatively over 2024, 2025 and 2026. The projected net expenditure growth rate in 2026 is above the recommended maximum growth rate, corresponding to a deviation of 0.1% of GDP in annual terms. When considering 2024, 2025 and 2026 together, the projected cumulative growth rate of net expenditure is also above the recommended maximum growth rate, corresponding to a deviation of 2.2% of GDP in cumulative terms.

(10) The government debt-to-GDP ratio increased from 45.9% at the end of 2024 to 46.4% of GDP at the end of 2025, thus remaining below the 60% of GDP reference value. The Commission Spring 2026 Forecast projects it to decrease to 46.2% by the end of 2026, driven by the lower primary deficit and the ‘snowball effect’ from real GDP growth and inflation.

(11) In the view of the Council, the excessive deficit in Malta has been corrected and Decision (EU) 2024/2128 should therefore be abrogated.

(12) The abrogation of Council Decision (EU) 2024/2128 makes the Council Recommendation of 26 July 2024 under Article 126(7) TFEU obsolete. Instead, the Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Malta continues to apply; therefore, Malta should ensure that net expenditure growth does not exceed the recommended maxima set out in point 1 and Annex I of that Council Recommendation.

[8] Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2026) 200 final, Brussels, 3.6.2026.

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Malta has been corrected.

Article 2

Decision (EU) 2024/2128 is hereby abrogated.

Article 3

This Decision is addressed to the Republic of Malta.

Done at Brussels,

For the Council
The President