

- ✓ innovate
- ✓ expand
- ✓ develop
- ✓ invest

in your business
for better opportunities
and business growth.

*Through MICROINVEST you will be able
to deduct as much as €25,000 on tax due
from earnings on your trade or business.*

microInvest

Tax Credit Incentive for Micro Enterprises & Self Employed



Foreword

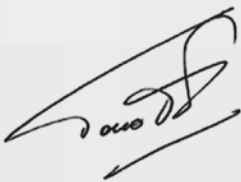
Whenever I have the opportunity to meet small business owners or self-employed like yourself, I always admire your entrepreneurial spirit. You do not need statistics to understand the economy's performance. It is for this reason that during the global economic crisis of this past year, it was of utmost importance for me to keep in touch with owners of small businesses as this would help me understand better their coping strategies.

We listened and we understood your views, on the basis of which we articulated initiatives to assist those who are sustaining the economy either by being self-employed or by employing less than nine people. Budget 2010, in fact, was geared at these sectors, and Microinvest, is one such initiative which is designed to encourage you to invest and be strong to sail the prevailing circumstances.

Investment, whether big or small is the cornerstone of our economy. If our business community stops believing in the need to invest, our economy will grind to a standstill. Thankfully, our local entrepreneurs have a strong belief that the Maltese economy has always rendered significant returns and their belief in the country's economy has been unflinching. This belief has been put to

the test in recent month due to the global economic downturn which also hit our shores. Microinvest is our response to assist you as an entrepreneur grow your business, generate wealth and jobs through added investment. In doing so, one would be able to strike off as much as €25,000 from your tax bill which you would have otherwise had to pay.

I encourage you to seize the moment as this scheme is only valid for the investments done in these coming two years. I am confident that, through such initiatives, government establishes a partnership with business to develop new opportunities to strengthen commercial and business activity. Government is determined to keep strengthening a business environment which is conducive to job and wealth creation.



Tonio Fenech
Minister of Finance, Economy and Investment

Foreword

by Hon. Jason Azzopardi

Parliamentary Secretary for Small Business and Land



Locally we often speak of our SMEs and Self Employed as the backbone of our economy, and this is most appropriate because they are. In Malta a vast portion of our industry is made up of companies that employ less than ten people, and hence fall into the micro category. This very particular reality of our industry is a symptom of our size.

This Government has always believed in this sector and has always legislated in favour of its growth. We have always believed in the value of the creation of jobs, and hence we have always striven to create the best scenario for our SMEs and Self Employed to be enticed to invest.

Testament to the dedication the Government has to this sector is the budget for this year which offers a number of possibilities for our SMEs to invest and improve their growth possibilities.

We all know that the past year has seen one of the worst economic recessions in history. Though we did get a bit of the brunt of the storm and had our fair share of bruises along the way, we can now proudly say that we have weathered it pretty well, and whereas neighbouring giants are currently counting

their huge losses, we are officially out of the recession and cautiously looking at a bright future.

This is all due to a Government which has proved time and time again, that it has the right solutions for the challenges, as well as the courage to take the right decisions at the right time. This knowledge is the result of continuous contact and communication with the sectors.

As parliamentary secretary for this sector of our economy, I have in the past weeks embarked on a series of meetings with the representatives of the field, in order to get a feel of what is going on in the field. We want to be closer to the field, listen what you have to say, and learn about the issues that are troubling you. At the same time we pledge our unstinting efforts in helping you make the most of all the incentives and schemes available for you. We want to keep on strengthening this sector, as we have done in the past years.

A handwritten signature in dark ink, appearing to read 'Jason Azzopardi', written in a cursive style.

What is MICROINVEST?

Microinvest is a Tax Credit* Scheme created through the Government Budget 2010 with the aim of helping Micro Enterprises (i.e. businesses with less than 10 people in employment) to invest in their businesses and innovate, expand, implement compliance directives and develop their opportunities for the future.

What is a tax credit?

A tax credit can be compared to a fund which you can utilise to offset your tax bill. If you have a tax credit of €1000, and your amount of tax due is €2500, you can use the tax credit certificate to deduct €1000 of the tax bill, thus only paying €1500 in cash.

What does MICROINVEST entitle me to?

Malta Enterprise may approve a **MICROINVEST** tax credit equivalent to 40% of the eligible expenditure. An additional bonus of 20% applies to all Gozo based activities.

MICROINVEST tax credits can be claimed for investments made between January 2010 and December 2011.

The maximum tax credit per undertaking is capped at **€25,000** for the duration of this incentive. One application per annum is allowed.

Am I eligible?

*MICROINVEST is open to all “micro enterprises” including start-ups and the self employed. To be eligible **ALL** of the following criteria must be satisfied:*

- The undertaking must NOT have been employing more than 9 full timers as at 10th November 2009;*
- The annual turnover of the enterprise must not exceed €2Million;*
- The activity must be registered with the VAT Department and in possession of the necessary regulatory licenses and permits where applicable;*
- Applicants must not be defaulting on VAT, Income Tax and Social Security returns, or rent payments to Government.*





“Through microinvest you will be able to deduct as much as €25,000 on tax due from earnings on your trade or business.”



What expenditure qualifies for MICROINVEST?

*MICROINVEST covers investments undertaken
between 1st January 2010 and 31st December 2011.
The following are eligible expenses for this incentive:*

- ✓ *Furbishing and upgrading of business premises for improved operations;*
- ✓ *Machinery or technologies to improve operations;*
- ✓ *Machinery or technologies which save or generate energy;*
- ✓ *Investments which enable compliance with regulations, including Health & Safety, Environment Directives and Physical Access;*
- ✓ *Wage Costs for new jobs created and/or apprenticeships taken, as long as these constitute a net increase in the total number of employees as of the 10th November 2009;*
- ✓ *Cost of one commercial vehicle as long as such vehicle is involved in the transport of goods as specified in the guidelines.*

How to calculate your tax return

Scenario 1:

In 2010, Business XYZ was approved a tax credit for the value of €8,000 by Malta Enterprise. The Tax return should first be filled in as custom:

Income from the Business Activity €40,000
 (The business for which the investment is being made and for which the tax credit is due)

Other Income €60,000
 (Other income that is not directly related to the business for which the investment is being made and for which the tax credit is due)

Tax due (for the purpose of this example only, tax due is being calculated at a flat rate of 35%, therefore € 35,000)

Therefore the portion of tax payable on the business activity itself is:

Total taxable income €100,000

$$\frac{€40,000 \times €35,000}{€100,000} = €14,000$$

i.e.

Since the tax due on the business activity is less than the tax credit available, it is deducted directly from the total tax due.

€14,000 (Tax on income from the Business Activity for which the tax credit is due)
 €21,000 (Tax on income from the Other Income)

Total Tax Due (€35,000 – €8,000) €27,000

Total Tax Savings €8,000

Scenario 2:

In 2010, Business XYZ was approved a tax credit for the value of €20,000 by Malta Enterprise. The Tax return should first be filled in as custom:

Income from the Business Activity <i>(The business for which the investment is being made and for which the tax credit is due)</i>	€40,000	
Other Income <i>(Other income that is not directly related to the business for which the investment is being made and for which the tax credit is due)</i>	€60,000	Tax due (for the purpose of this example only, tax due is being calculated at a flat rate of 35%, therefore € 35,000)
		Therefore the portion of tax payable on the business activity itself is:
Total taxable income	€100,000	$\frac{€40,000 \times 35,000}{€100,000} = €14,000$
		i.e.
		€35,000 (Total Tax Due)
		€14,000 (Tax on income from the Business Activity for which the tax credit is due)
		€21,000 (Tax on income from the Other Income)
Since the tax due on the business activity is less than the tax credit available, it is deducted directly from the total tax due		
Total Tax Due (€35,000 – €14,000)	€21,000	
Total Tax Savings	€14,000	(with remaining balance €6,000 are deducted from future tax returns)

Since the Business was given a Tax credit of €20,000, but the eligible tax is €14,000, a remaining balance of €6,000 that can be claimed in future tax returns until 2014.

How may I apply for **MICROINVEST?**

*Applicants should first read the **MICROINVEST Guidelines** that may be downloaded from <http://incentives.maltaenterprise.com>*

*Applications should be made to **Malta Enterprise** once a year through the application form which may be downloaded from:
<http://incentives.maltaenterprise.com>*

Applications may be posted or delivered by hand and will be accepted until the 31st March 2012.

*For further information and guidance on **MICROINVEST**, contact Malta Enterprise during office hours 08.30–16.30hrs.*

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*Malta Enterprise, Enterprise Centre,
Industrial Estate, San Ġwann, SGN3000*



Ministry of Finance,
the Economy & Investment



MaltaEnterprise