



MALTAENTERPRISE

INCENTIVE GUIDELINES

Rent Subsidy 2020

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<https://www.maltaenterprise.com/support>

1. Overview

- 1.1 This measure is designed to support undertakings engaged in industrial activities and that require industrial space for starting a new business, expand operations, handling larger orders, optimising supply chains or diversifying processes. The support provides a subsidy on the rental of private industrial premises required for long term development strategies and also short-term rentals to address specific requirements. Undertakings may be supported through cash grants and/or tax credits, and the total support shall be limited to one hundred and fifty thousand euro (€150,000) over any rolling period of three years.

2. Am I eligible?

- 2.1 You are eligible for the Rent Subsidy scheme if you are a limited liability company, a partnership (en nom collectif or en commandite) or a self-employed¹.

- 2.2 The incentive is available to business carrying out or intending to carry out:

- a) Manufacturing activities;
- b) Artisanal activities;
- c) Industrial Packaging activities;
- d) Maintenance and Repairs of Motor Vehicles;
- e) Repair of Machinery & Electrical Equipment; and
- f) Other Industrial activities related to the above.

The incentive is also available to other business activities requiring temporary (short-term) facilities for the storage of goods and materials to mitigate for fluctuations in supply disruptions and of costs in international markets.

- 2.3 To be considered for support the applicant must meet all the criteria established below:

- a) The applicant must not have any dues related to VAT, Income Tax, and Social Security Contributions;
- b) The applicant must not be engaged in activities specifically excluded under the de minimis Regulation (vide Section 8);
- c) The applicant must be a single undertaking that in the preceding two fiscal years before the submission of the application for support must:

¹ Applicants should be liable to pay Income Tax in Malta and partnerships are required to register under Article 27(6) of the ITMA to be treated as a company

- i. have employed less than two hundred and fifty (250) persons on Full Time (FT) contract as registered with JobsPlus;
 - ii. have had a turnover that did not exceed €50 Million; and
 - iii. have had a balance sheet that did not exceed €43 Million.
- d) The applicant must not be subject to collective insolvency proceedings, or must not fulfil any criteria under Maltese law for being placed in collective insolvency proceedings at the request of its creditors.

3. The incentive

- 3.1. An eligible undertaking may be supported through a subsidy partially covering rental costs of industrial premises and/or premises required for carrying out ancillary activities such as warehousing and logistics. The premises must be required by the undertaking to:
- a) Commence a new business activity;
 - b) Expand current operations;
 - c) Handle an increase in orders;
 - d) Optimise supply chains;
 - e) Engage in process innovations required to increase efficiency;
 - f) Facilitate a period of restructuring and consolidation of the business operation; and/or
 - g) facilitate temporary (short-term) storage of goods and materials to mitigate for fluctuations in supply disruptions and of costs in international markets.
- 3.2. The total aid which may be granted to a single undertaking shall be capped at fifty thousand Euro (€50,000) per annum and shall not exceed fifty percent (50%) of the eligible rental costs incurred.
- 3.3. Support awarded shall be in the form of a cash grant and/or a tax credit. The Corporation may consider support in respect of the first three (3) years of new rentals, when the rental agreement commenced not earlier than one (1) year² from the date on which the application for support was submitted to the Corporation. The support may be extended for a further (3) three years on the basis of a new application if the applicant has not generated a reasonable return but can justify a sustainable business thereafter if the additional support is approved.
- 3.4. Any approval (Tax credit and/or Cash Grant) shall be dependent on an economic review carried out by the Corporation and is awarded at the sole discretion of the Corporation.
- 3.5. Eligible costs shall only include the rental of the required space and must exclude tax and other services (such as cleaning, reception and security services) that may be included with the rental agreement.

² Extensions and renewals of existing rental agreements do not constitute a new agreement.

- 3.6. Renting or leasing of the following properties is excluded even if such properties are rented to address the objectives of this incentive:
- a) Any property owned by a legal person or group of legal persons related to the single undertaking receiving the assistance;³
 - b) Public property;
 - c) Showrooms, display areas and similar properties

4. Application process

- 4.1 Applications must provide details and comprehensive information to enable the Corporation to determine eligibility and evaluate the request for support.
- 4.2 The application form and any other templates provided by the Corporation may be downloaded from the Corporation's Client Portal <http://clientportal.maltaenterprise.com/>. All required documents must be submitted through the portal. First time applicants will be required to register on the client portal before they can submit their application.
- 4.3 In compiling the application form, applicants will be required to:
- a. justify why the space is required, and how this will help enhance and maintain the operation of the applicant on a temporary and/or permanent basis. When applying for support in relation to logistical activities, the applicant will need to explain how the additional facility will help optimise supply chains and/or mitigate for fluctuations in supply and fluctuations in costs;
 - b. complete the *de minimis* declaration form - list all de minimis aid awarded in the current and previous two fiscal years to any entity forming part of the single undertaking (this form is an integral part of the application);
- 4.4 In addition to the application, the following documents must be submitted:
- a. Documentation confirming that the rented premises has the correct classification for the activity to be carried out. Such activity must be classified under:
 - i. CATEGORY E – INDUSTRIAL USES as defined in Subsidiary Legislation 552.15 Development Planning (Use Classes) Order 2 of the Development Planning Act;
 - ii. CLASS 6A (Category F) - Storage and Distribution - if the support relates to temporary storage space facilities for goods and materials required to optimise supply chains and/or mitigate fluctuations in supply and costs.

Where the premises being rented is covered by a prior certification / licence /permit to carry out the required activity, such documentation should be presented with the application;

³ Sub-leasing through a related party is also excluded even if the owner of the premises is a third party.

- b. Audited financial statements or certified true copies of management accounts covering the last fiscal year prior to the application. Alternatively, partnerships and self-employed may submit the latest 2 Income Tax Statements.
- c. A draft copy of the rental agreement (if the agreement is still to be signed) or a copy of the original rental agreement;

5. By when can I submit an application?

- 5.1 The applications shall be submitted to the Corporation by 31st October, 2023.

6. What happens after I apply?

- 6.1 Once you have submitted the application through the portal, the submission will be evaluated in line with the terms and conditions of these Incentive Guidelines. Each submission will be reviewed on its own merits and any support will be awarded at the sole discretion of the Corporation. In assigning aid under this incentive, the Corporation will examine the project's potential to contribute to the Maltese economy by examining various criteria that will include:

- a. economic feasibility of the proposal;
- b. expected economic return from the public funding awarded;
- c. applicant's business performance and projections in relation to the cost of the rent agreement;
- d. strength of the justification provided in the applicant submission;
- e. space requirements of the applicant; and
- f. environmental consideration and alignment of business to sustainable development goals⁴

- 6.1.1. In its evaluation, the Corporation may, conduct onsite visits, review documentation of any additional machinery & equipment to be procured and installed at the new premises, request further information and clarifications, beyond the information requested in the application, such as layout plans of current premises and for additional premises, so as to determine whether the support should be awarded.

⁴ <https://sdgs.un.org/goals>

6.2 Awards

The outcome shall be communicated through a Letter of Approval (in line with Part VI Section 28 et seq. of the Malta Enterprise Act.) specifying the terms and conditions of the award.

6.2.1 The approval of the Corporation shall establish the maximum support to be awarded in support of the Project.

6.2.2 The Letter of Approval will specify the maximum value which may be claimed as a cash grant and/or tax credits, as applicable, and details on how these should be claimed

6.3 Monitoring

Beneficiaries will be monitored by the Corporation and other agencies entrusted by the Corporation. If a beneficiary fails to carry out the agreed actions as specified in the Letter of Approval, the Corporation may revoke and/or recover all or part of the support granted.

6.3.1 The Corporation may request any documentation it deems relevant and conduct site visits at the applicant's place of business to ensure that the premises are being used for the purpose for which they were approved.

6.3.2 Beneficiaries are requested to maintain records for ten (10) fiscal years from the date on which the last individual aid was granted under this scheme.

6.4 Revocation and Suspension of Aid

The Corporation may revoke or suspend an approval and may seek to recover funds with interest from the undertaking who was awarded the aid if any breach of the applicable regulations, these guidelines or the approval parameters is identified.

6.4.1 In terms of Part VII and Part VIII of the Malta Enterprise Act, Chapter 463 of the laws of Malta, the Corporation may revoke, amend or modify the Letter of Approval and apply penalties or request recovery of aid in the case of breach of these Guidelines or the conditions set down in the Letter of Approval issued by the Corporation and any relevant regulations.

6.4.2 The Corporation may withhold all, or part, of the assistance if the undertaking (at group level) is subject to an outstanding recovery in respect of any other incentive awarded by the Corporation.

7. State Aid Rules and Obligations

7.1 Applicable State Aid

7.1.1 If the submitted application is approved, the beneficiary will benefit from *de minimis* State Aid in line with *Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid* [OJ L 352/1, 24.12.2013] (the *de minimis* Regulation), as amended by Commission Regulation (EU) 2020/972 of 2 July 2020

amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments [OJ L 215/3, 7.7.2020].

- 7.1.2 The *de minimis* Regulation allows a 'single undertaking' to receive an aggregate maximum amount of *de minimis* aid of €200,000 (or €100,000 in the case of single undertakings performing road freight transport for hire or reward) under all *de minimis* aid measures, over a period of three consecutive fiscal years. This period covers the fiscal year concerned as well as the previous two fiscal years. 'Fiscal year' means the fiscal year as used for tax purposes by the undertaking concerned. The agriculture and fisheries sectors are subject to different thresholds and criteria. For the purpose of this scheme, the term 'single undertaking' shall be defined as per the *de minimis* Regulation.
- 7.1.3 This maximum threshold would include all State aid granted under this scheme and any other State aid measure granted under the *de minimis* rule, including that received from any entity other than Malta Enterprise Corporation. Any *de minimis* aid received in excess of the established threshold will have to be recovered, with interest from the undertaking receiving the aid.
- 7.1.4 The aid amount under this scheme shall be the gross grant equivalent as indicated in Section 3.2.
- 7.1.5 The *de minimis* declaration form⁵ must be filled in and submitted together with the application form.

7.2 Applicability of the Aid

- 7.2.1 Assistance approved under this aid scheme is NOT:
- a) Aid granted to undertakings active in the fishery and aquaculture sector, as covered by Council Regulation (EC) No. 104/2000⁶;
 - b) Aid granted to undertakings active in the primary production of agricultural products;
 - c) Aid granted to undertakings active in the sector of processing and marketing of agricultural products, in the following cases:
 - i. Where the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned;
 - ii. Where the aid is conditional on being partly or entirely passed on to primary producers;
 - d) Aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity;
 - e) Aid contingent upon the use of domestic over imported goods;
 - f) Aid for the acquisition of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward.
- 7.2.2 Where an undertaking is active in the sectors referred to in points (a), (b) and (c) above as well as in other sectors falling within the scope of the *de minimis* Regulation, the Corporation will ensure a separation of the activities or distinction of costs. Only those sectors eligible for assistance under the *de minimis* Regulation will be assisted. Activities in the sectors excluded from the scope of the *de minimis* Regulation will not benefit from assistance under this aid scheme.

⁵ The *de minimis* Aid Declaration may be downloaded from <http://maltaenterprise.com/files/de-minimis-declaration-form-2021>

⁶ Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products (OJ L 17, 21.1.2000, p. 22).

7.3 Cumulation

- 7.3.1 *De minimis* aid granted in accordance with this scheme may be cumulated with *de minimis* aid granted in accordance with Commission Regulation (EU) No 360/2012 up to the ceiling laid down in that Regulation. It may be cumulated with *de minimis* aid granted in accordance with other *de minimis* regulations up to the relevant ceiling laid down in Article 3(2) of the *de minimis* Regulation.
- 7.3.2 *De minimis* aid awarded under this scheme shall not be cumulated with State aid in relation to the same eligible costs or with State aid for the same risk finance measure, if such cumulation would exceed the highest relevant aid intensity or aid amount fixed in the specific circumstances of each case by a block exemption Regulation or a decision adopted by the Commission. *De minimis* aid which is not granted for or attributable to specific eligible costs may be cumulated with other State aid granted under a block exemption Regulation or a decision adopted by the Commission.

8. Further Information

8.1 This measure shall be applicable until 31st December 2023. While the Corporation may periodically update and amend these Incentive Guidelines, the applicable Incentive Guidelines shall be those published when the request for assistance is received.

8.2 Rent Subsidy Regulations (subsidiary legislation 463.33 to the Malta Enterprise Act), as amended, forms the national legal basis of this aid scheme.

8.3 Useful Definitions

Applicant: *An Applicant is an Undertaking that has submitted a complete application for support under this scheme to the Corporation.*

Beneficiary: *A Beneficiary is an Undertaking that is in possession of a Letter of Approval issued by the Corporation.*

Corporation / Malta Enterprise: *The terms The Corporation and Malta Enterprise shall mean Malta Enterprise Corporation as established by the Malta Enterprise Act, Chapter 463 of the Laws of Malta.*

Letter of Approval: *A Letter of Approval is a document establishing the support granted to an undertaking and stipulating any terms and conditions deemed appropriate by the Corporation.*

Single Undertaking:

Single Undertaking includes all enterprises having at least one (1) of the following relationships with each other:

- 1. one (1) enterprise has a majority of the shareholders' or members' voting rights in another enterprise;*
- 2. one (1) enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;*
- 3. one (1) enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;*
- 4. one (1) enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.*

Enterprises having any of the relationships referred to in points (1) to (4) above through one or more other enterprises shall also be considered to be a single undertaking.

The same Regulation states that a group of linked enterprises is considered as one single undertaking for the application of the de minimis rule, but that enterprises which have no relationship with each other except for the fact that each of them has a direct link to the same public body or bodies are not treated as being linked to each other. The specific situation of enterprises controlled by the same public body or bodies, which may have an independent power of decision, is therefore taken into account⁷.

⁷ Commission Regulation (EU) No 1407/2013 of 18th December 2013, as amended.

9. Contacts

For guidance on the filling in of the application form kindly contact Business 1st on 144 during office hours.

Duly filled applications must be submitted to Malta Enterprise via the Corporation's Client Portal <https://clientportal.maltaenterprise.com/login>

www.maltaenterprise.com/support
