

- ✓ 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



Minister Foreward

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 the past years, 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 months due to the global economic downturn which also hit our shores. Microinvest is our response to assist you as an entrepreneur to 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 until the end of the year. 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

**Minister for Fair Competition,
Small Business and Consumers**



Locally we often speak of our SMEs and Self Employed as the backbone of our economy: in Malta a vast portion of our industry is made up of companies employing less than ten people, and hence fall into the micro category.

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 job creation and hence we have always striven to create the best economic scenario for our SMEs and Self Employed to be enticed to invest.

Testament to the dedication Government has to this sector, are the Budgets presented throughout these past years which offer a number of possibilities, incentives and schemes for our SMEs to invest and improve their growth possibilities.

We all know too well that these past few years have witnessed unprecedented economic turmoil. Though we did get some of the brunt of the storm and had our 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 cautiously looking at a bright future. This is all due to a Government which has proved time and again, that it has the right solutions for these challenges.

As Minister responsible for this sector of our economy, I have in the past weeks embarked on a series of meetings with the representatives in the field, to get a feel of what is going on. We want to listen to 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 to you.

It is Government's role to listen and act upon, where this is reasonable, issues that are useful and beneficial to micro and small businesses. This is indeed what we have done when we introduced, and now extended, Microinvest which is leading to the creation of more jobs and more money in the coffers of our businesses.

Facts show us that when micro companies and self-employed have access to the right mix of financing facilities these are able to take the plunge to finance new projects and take their business to the next level of growth.

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

What is MICROINVEST?

Microinvest is a Tax Credit Scheme created through the Government Budget 2010, extended in Budget 2012, 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 2012.

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 2012.
The following are eligible expenses for this incentive:*

- ✓ *Subcontracted refurbishing 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.*

Claims below €50 per cost item are not eligible.

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 <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.
		€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 – €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 2015.

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 2013.

*For further information and guidance on **MICROINVEST**, call Business First at Malta Enterprise during office hours 08.30–16.30hrs.*

*Tel: 144 Fax: 2542 3401
businessfirst@maltaenterprise.com.mt*

*Malta Enterprise, Gwardamangia Hill,
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Ministry of Finance,
the Economy & Investment



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