

Incentive Guidelines
Micro Guarantee Scheme



Close



MALTAENTERPRISE

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<http://support.maltaenterprise.com>

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1. Introduction

1.1 Scope

Limited availability of funds many times prohibits small business from carrying out new investment projects and may consequently lead to the loss of business opportunities. The Micro Guarantee Scheme has the objective to accelerate growth by facilitating access to debt finance for smaller business undertakings.

This Micro Guarantee Scheme shall provide eligible undertakings with a guarantee of up to 80% on loans of up to €100,000 which may be used to finance projects leading to business enhancement, growth and development.

1.2 Duration of the Incentive

The scheme is available until 31st December 2016.

Malta Enterprise may periodically update and amend these Incentive Guidelines.

1.3 Legal Basis

Malta Enterprise Corporation may issue and publish the official Incentive Guidelines covering this aid scheme in terms of Article 8 (3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

Micro Loan Guarantee Regulations as Subsidiary Legislation 463.08 to the Malta Enterprise Act, mentioned in the previous paragraph, form the national legal basis of this aid scheme.

1.4 Designated Authority

This incentive is administered by Malta Enterprise.

1.5 Definitions

For the scope of this incentive, a bank is understood to be a commercial bank or other licensed financial institution operating within the EU.

2. Eligibility

2.1 Eligible Undertakings

This incentive is open to all business undertakings, including start-ups, which at the point of application satisfy all of the following criteria:

- a. The applicant must have 50 or less (full-time equivalent) employees calculated on the fiscal year preceding the application¹.
- b. The applicant's turnover and balance sheet total for the fiscal year preceding the application must not exceed €10 Million¹.
- c. At application stage the applicant must have the minimum employment specified in Table 1.
- d. The applicant should be registered with the VAT department.
- e. The applicant should not be linked (in terms of the SME definition of the European Commission)¹ to any enterprise operating in the same relevant market² that has benefited from this incentive.
- f. The operations related to the investment and the investment itself should be based in Malta and /or Gozo.
- g. Both the project being proposed, and the loan itself, should be linked to one or more of the following outcomes:
 - i. Establishment of new business.
 - ii. New or improved products, services or processes.
 - iii. Adoption of new technology.
 - iv. Reduction in costs.
 - v. Increase in sales.
 - vi. Retention and/or generation of new/additional jobs.
 - vii. Increased productivity.
 - viii. Potential of growth in foreign markets.

2.2 Exclusions

- a. Public entities defined as: "Ministries, Departments, Entities, Authorities, Public Commissions Public Sector Foundations and similar organisations that carry out a public or regulatory function which does not involve the carrying out of an economic activity, whether or not such organisations are established by law" and Commercial undertakings in which Government has a direct or indirect holding of more than 25% are not eligible.
- b. Undertakings in difficulty³ (vide Section 6.3) are excluded from benefiting from this incentive.

1 Determination of the headcount, balance sheet total and turnover of the applicant will be in line with Annex I of the Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation).<link>

2 Commission notice on the definition of relevant market for the purposes of Community competition law [Official Journal C 372 of 9.12.1997] <link>

3 Undertakings in difficulty in line with Community Guidelines on State Aid for rescuing and restructuring firms in difficulty (2004/C 244/02), available at:
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2004:244:0002:0017:EN:PDF>.

- c. Undertakings engaged in activities specifically excluded under the applicable State Aid Regulations (vide Section 6.2) are not eligible for this incentive.
- d. Undertakings that have not honoured/rectified any obligations or conditions set by Malta Enterprise with respect to previously granted support or that are linked to such undertakings are ineligible for this incentive.
- e. Undertakings engaged in gaming including online gambling (NACE rev. 2 Class 90) are excluded from benefitting from this incentive.
- f. Undertakings engaged in financial and insurance activities.
- g. Defaulters on Value Added Tax (VAT), Income Tax, National Insurance, and rent payment to government are deemed ineligible for this incentive.
- h. Voluntary organisations.

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3. Incentive Details

Micro Guarantees may be utilised for accessing funds required for the acquisition of tangible assets and working capital linked to such acquisitions.

Irrespective of the size of the guaranteed loan the incentive is available only once to each eligible undertaking.

3.1 The Guarantee

The Micro Guarantee may only be used to support a new loan, required to finance eligible costs approved by the Malta Enterprise. The loan amount shall not exceed €100,000 while the guarantee shall not exceed the thresholds applicable as per Table 1 below.

Table 1: Applicable Loan Guarantee

Case	Eligible Sector ⁴	Expected outcome of project	Minimum Employment	Maximum guarantee (% of loan)
A	Undertaking operating in the production, manufacture, improvement, assembly, processing, repair, preservation or maintenance of any goods, materials, commodities (including computer software), equipment, plant or machinery.	Generation of additional/new jobs, and Growth in foreign markets	2 full-time	80%
B	Undertakings rendering services of an industrial nature analogous to the activities referred to in (A) above, including the repair, maintenance, commissioning, installation, inspection or testing of plant machinery or equipment and the recycling or treatment of waste material.			
C	Undertakings rendering a service to an industrial sector analogous to the activities referred to in (A) above, which is excluded from the activities of industrial services defined in (B) above, but which: 1. offers an innovative product/service, and 2. operates within a non-saturated local market.			
D	Undertakings operating in eligible sectors not excluded by any of the exclusions defined by section (2.2) of this incentive guideline	One or more outcomes as defined in section 2.1(f) of this Incentive Guideline	1 employee	65%

⁴ Eligible as defined in section (2) of this Incentive Guideline.

The guarantee provided by Malta Enterprise shall relate only to new banking facilities (that is, re-financing of existing loans is not eligible), which are required by the business undertaking to carry out the approved investment project. The guarantee may not be used to support overdrafts or other revolving credit facilities (this includes any drawdown used to finance approved working capital costs).

3.1.1 Loan Terms

The guaranteed loan should have a distinct term with a predetermined fixed repayment schedule and may in no case exceed ten years.

3.1.2 Interest Rates

Interest rates on all facilities shall be in accordance with the policies of the bank issuing the loan.

3.1.3 Security

The guarantee will be issued to the Bank. Malta Enterprise will not require security directly from the beneficiary.

3.2 Value of Aid

Eligible loans between €2,500 and €100,000 may be supported through the Micro Guarantee scheme. The value of aid⁵ shall be calculated at 27% of the guaranteed amount.

3.3 Implementation Period

The implementation period is the period of up to 12 months⁶ during which the beneficiary may drawdown amounts to cover approved costs from the guaranteed loan. This period shall commence on the date the beneficiary affects the first drawdown from the guaranteed loan.

3.4 Eligible Costs

Eligible expenses shall relate to:

- a. Investments in acquiring tangible assets defined as, new (or first time use in Malta) machinery, equipment or instruments required to commence or enhance business operations.
- b. Fittings, fixtures, refurbishment and restoration of commercial properties.
- c. Immoveable property directly linked to a business development project and which are deemed to be a critical part of the business.
- d. Acquisition of intellectual property from third parties which are neither linked to, nor partners of the applicant⁷.
- e. Working capital linked to the above investments. Provided that:
 - i. the total working capital shall be capped at 10% of the turnover of the previous fiscal year.
 - In the case of start-ups established less than one year prior to the submission date of the application the total value of working capital shall not exceed 30% of the total loan.

5 The value of aid is the amount of assistance in Euro notified for State aid purposes.

6 In exceptional circumstances Malta Enterprise, in collaboration with the bank that issued the loan, may extend the implementation period. Under no circumstance shall the implementation period exceed 24 months.

7 The definition of linked and partner enterprises as specified in Annex I of the Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation) – available at:

<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:en:PDF>

- ii. such costs shall be incurred within a period of 12 months from the date of the first drawdown.
- iii. the total working capital funded from the approved loan should not exceed 30% of the total loan amount. In any case, the applicable capping defined in paragraph 3.4 e (i) above should never be exceeded.
- iv. working capital costs eligible under this scheme shall be limited to :
 - the purchase of stock and services acquired from third parties (which are neither linked to, nor partners of the applicant⁸) within the first six months from the first drawdown;
 - Basic wage costs excluding any allowances, bonuses, insurances and national insurance borne by the employer; and
 - shall not be of a revolving nature.

3.5 Ineligible Costs

Costs incurred in relation to the following items will not be considered as qualifying:

- a. Acquisition of works of art, antiques and any assets that are not directly related to the trade and business of applicant.
- b. Costs that are assisted (even partly) through other incentive measures.
- c. Acquisition of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward.

3.6 Additional Provisions

The following additional provisions shall apply to any costs supported through this incentive:

- a. Malta Enterprise will issue a Micro Guarantee under this scheme to secure only loan accounts. The Micro Guarantee cannot support overdraft or other revolving facilities.
- b. The letter of intent issued by Malta Enterprise shall be valid for a period of six months.
- c. The guaranteed loan will be utilised to finance the implementation of a project approved by Malta Enterprise.
- d. The Micro Guarantee will become effective once a participating bank issues a sanction letter in favour of the beneficiary.
- e. Beneficiaries should inform Malta Enterprise immediately if at any time they are unable to honour the repayments stipulated in the bank's sanction letter.
- f. Malta Enterprise reserves the right to take any action deemed necessary to protect its interests, in terms of the Micro Guarantee issued.
- g. Without prejudice to any other remedy, Malta Enterprise in collaboration with the relevant bank may withhold any further drawdown from the guaranteed loan if:
 - i. funds have not been utilised for the purpose for which they were approved or have not been spent in a careful, timely and economical manner;

8 The definition of linked and partner enterprises as specified in Annex I of the Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation) – available at:

<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:en:PDF>

- ii. the beneficiary has gone into liquidation or has become insolvent or has assigned property for the benefit of creditors;
- iii. the applicant is found to be in breach of these Incentive Guidelines, Letter of Intent and/or State Aid regulations;
- h. Malta Enterprise may request an audit of the project. The audit may be carried out by Malta Enterprise or subcontracted to third parties.
- i. Aid approved by the Corporation will be suspended until that undertaking has reimbursed old, unlawful and incompatible aid that is subject to a recovery decision.
- j. Applicant consents that data and information may be acquired from or forwarded to Government Departments, entities and/or agencies for the scope of assessing and implementing this incentive and ensuring adherence to any applicable regulation including State Aid.
- k. Applicants have to also ensure that they have the adequate consent from employees in regard of which the wages will be claimed for. Such information may also be acquired from or forwarded to Government Departments, entities and/or agencies for the scope of assessing and implementing this incentive.

4. Application Process⁹ and Assignment of Aid

Eligible undertakings applying for the Micro Guarantee facility should submit their request on the official application form which may be downloaded from www.maltaenterprise.com

4.1 Support in Compiling Application Forms

It is recommended that potential applicants contact Business First prior to submitting their application. Business First staff will support interested applicants to understand the objectives of the incentive; explain details relevant to the scheme and address any problems applicants might encounter when completing their application. Business First may be contacted by calling 144 or by email on info.businessfirst@maltaenterprise.com

4.2 Supplementary information

Malta Enterprise may request the applicant to provide any additional information that may be of use in the evaluation of the application.

4.3 Assignment of Aid

Malta Enterprise will review the applications submitted for eligibility so as to confirm that the:

- a. applicant is eligible for this scheme in terms of these incentive guidelines;
- b. costs which will be covered by the loan are eligible in terms of these guidelines;
- c. project is in line with the scope of these incentive guidelines; and
- d. the investment is justified in terms of the applicant's business.

Applications that do not conform to any of the above conditions will be rejected. Applicants that are in line with these guidelines and demonstrate a feasible business proposal shall receive a Letter of Intent which may be used for accessing a loan from a bank. The Letter of Intent will be issued in line with Part 6 Section 28 et seq. of the Malta Enterprise Act.

⁹ Malta Enterprise provides advisory services and support to help enterprises develop their business. These are support services and do not guarantee that the applicant will be successful when an application for aid is evaluated.

4.3.1 Guarantee

The Letter of Intent issued by Malta Enterprise may be presented to any bank. Before Malta Enterprise may proceed with the issuance of any guarantee, the applicant shall provide Malta Enterprise with a sanction letter from the bank issuing the loan to finance the project with terms and conditions as specified in a valid letter of intent issued by Malta Enterprise under this incentive.

5. Monitoring and Control

Malta Enterprise shall keep track of the performance of undertakings being supported under any of the Micro Guarantee Scheme.

5.1 Draw downs

Unless otherwise indicated in the Letter of Intent, any draw down from the loan account shall be pre-approved by Malta Enterprise.

5.2 Monitoring

All facilities extended under the Micro Guarantee scheme shall be monitored regularly and effectively controlled to strive for a repayment as originally intended.

In this respect, the beneficiary will be asked to provide their written consent to enable both Malta Enterprise and the bank to freely exchange and divulge information pertaining to the customer and to exempt Malta Enterprise and the bank from the effects of the Professional Secrecy Act, the Data Protection Act and any other Law regulating Professional Secrecy.

5.3 Recovery

In cases of default where the bank shall opt to immediately call in the Malta Enterprise guarantee and not proceed against the beneficiary for the recovery of funds, Malta Enterprise shall, simultaneously with the honouring of the guarantee be subrogated into the banks security and other rights such that Malta Enterprise will be in a position to claim the dues and exercise the remedies previously pertinent to the bank. Malta Enterprise will also have the benefit of the security interest previously available to the bank to secure the original debt. Malta Enterprise reserves the right to take any and all remedial action available to it in terms of the Laws of Malta, to recover the sum of the guarantee paid following call in of same as a result of beneficiary default. In this respect Malta Enterprise reserves the right to:

- i. Exclude the beneficiary and any linked or related entity from receiving any form of aid administered by Malta Enterprise; and
- ii. Withhold any incentive (including tax credits) which may be due to the beneficiary or to any entity linked or related to the applicant.

6. State Aid Rules and Obligations

6.1 Applicable State Aid

These Incentive Guidelines are in line with the *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* (the *de minimis* Regulation)¹⁰

The total amount of *de minimis* aid granted to a single undertaking shall not exceed the amount of €200,000 over any period of three consecutive fiscal years.

This aggregate maximum threshold applies in principle to all economic sectors with the exception of the road transport, agriculture and fisheries sectors for which different thresholds and criteria apply. The term 'undertaking' includes also all companies in a group (which fall under the direct or indirect ownership or control of the same ultimate parent company) and relevant partner and linked enterprises as defined in Annex I of Commission Regulation (EC No 800/2008). 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.

This maximum threshold would include all State aid granted under this aid scheme and any other State aid measure granted under the *de minimis* rule including that received from any entity other than Malta Enterprise. Any *de minimis* aid received in excess of the established threshold will have to be recovered, with interest, from the undertaking receiving the aid.

The *de minimis* declaration form¹¹ must be filled in and submitted together with the application form.

6.2 Applicability of the Aid

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. 104/2000¹²;
- 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.

Where an undertaking is active in the sectors referred to in points (1), (2) and (3) above as well as in other sectors falling within the scope of the *de minimis* Regulation, the Corporation will ensure a

¹⁰ [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_379/l_37920061228en00050010.pdf]

¹¹ The *de minimis* Aid Declaration may be downloaded from <http://www.maltaenterprise.com/en/support/docs/de-minimis-declaration>

¹² 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).

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.

6.3 Undertakings in Difficulty

Firms in difficulty in terms of Community Guidelines on State aid for rescuing and restructuring firms in difficulty, Official Journal C244, 01.10.2004, are excluded from benefiting from assistance under this aid scheme.¹³

6.4 Cumulation

In terms of Article 5 of the *de minimis* Regulation, *de minimis* aid granted under this incentive may be cumulated with *de minimis* aid granted in accordance with Commission Regulation (EU) No 360/2012¹⁴ 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 fixed in terms of these Incentive Guidelines.

De minimis aid approved under the **MicroGuarantee 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 European 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.

¹³ [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52004XC1001\(01\):EN:HTML](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52004XC1001(01):EN:HTML)

¹⁴ Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to undertakings providing services of general economic interest (OJ L 114, 26.4.2012, p. 8).

7. Contact Details

Further information on the scheme, as well as information and guidance on the filling in of the application form may be obtained by contacting Business First during office hours.

Postal Address: Malta Enterprise
Gwardamangia Hill,
Pieta`, MEC 0001
Malta.

Tel: 144

Websites: <http://www.maltaenterprise.com>
www.businessfirst.com.mt

Email: info.businessfirst@maltaenterprise.com

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