Micro Invest 2016

**FAQs**

Version 2.2



 

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# Employment and Linked Enterprises

## As a self-employed on part-time basis I qualify for the 15% rate of tax.  Do I qualify for this assistance?

Yes, you may apply for a tax credit through this incentive.  You may claim a tax credit received through this incentive as any other self-employed but you will not be able to submit Tax form TA22 and hence shall not be able to benefit from the 15% tax rate.  To utilise these tax credits you will have to declare any income in your Income Tax Return.

The tax credit is redeemable against income generated from your business activity or trade only.

## I am part-time self-employed and I do not employ anybody.  Do I qualify for this assistance?

Yes as long as you are registered as a part-time self employed person with Jobsplus.

## I own a number of businesses with a total employment of more than thirty persons in 2016.  Do I qualify for this incentive?

No. Considering the definition of “single undertaking” provided in the Incentive Guidelines the total employment would have to be considered.

## My businesses had a total employment of more than thirty persons in 2015 and less than thirty persons in 2016.  Do I qualify for this incentive?

No. The applicant must be a single undertaking that in the two (2) fiscal years preceding the year in which the application is submitted, employed thirty (30) or less persons on Full Time (FT) contracts for at least twelve (12) months of the period (the data used to verify this condition is provided by Jobsplus).

## Is each company within a group entitled to €30,000?

No. Considering the definition of “single undertaking” provided in the Incentive Guidelines (Section 2.1) the total aid granted to each related entity would contribute to the €30,000 limit.

## Our business is a partnership and as such the persons involved submit separate tax computations.  Can we apply for aid under the Micro Invest Scheme?

Yes, yet the partners will be considered as forming part of a ‘single undertaking’ as defined in the Incentive Guidelines and hence will contribute to a shared capping of €30,000.

The eligible amount will be split according to ownership. Hence, in case of a partnership, where an ownership is split equally between two persons, two Incentive Entitlement Certificates, each equivalent to 50% of the approved tax credits will be issued to the persons forming the partnership.

## If our business is a non-registered partnership, what documentation do we need to submit?

If the partnership is not registered, an agreement signed between the partners, specifying the profit sharing percentage of each partner needs to be submitted. The agreement must be signed prior to any investment being claimed for.

## If on the 30th of March 2017 I employed 31 full-timers am I eligible for this incentive?

The applicant must be a single undertaking that in the two (2) fiscal years preceding the year in which the application is submitted, employed thirty (30) or less persons on Full Time (FT) contracts for at least twelve (12) months of the period (the data used to verify this condition is provided by Jobsplus).

## I am a director / shareholder in a company and I will soon be employed with the same company.  Will the company be able to claim tax credits regarding my employment?

Yes the employment of directors / shareholders is considered eligible so long that such employment is registered and the employee’s Income Tax and all National Insurance Contributions are being paid. Directors’ fees are not an eligible cost.

On the other hand, director’s fees are considered to be ineligible as per Section 4.5 (h) of the Incentive Guidelines.

## In case of a start-up company, whose employment history is required?

## In case of Start-up undertakings, a copy of the MFSA registration certificate, together with a copy of the employment history from Jobsplus of the directors/shareholders is required.

## If the applicant is self-employed or an unregistered partnership, a copy of the registration certificate or the employment history of the persons identified as self-employed is required from Jobsplus.

## What documentation would be needed instead of the Employment History from Jobsplus for all those undertakings that qualify for Micro Invest and whose shareholding is made up of legal entities not people?

With regards to start-up undertakings whose shareholding is made up of legal entities and not individuals, and still remains classified as a small undertaking, instead of the Employment History from Jobsplus, the MFSA registration certificate of the legal entity is to be submitted.

## What documentation would be needed instead of the Employment History from Jobsplus for all those undertakings that qualify for Micro Invest and whose shareholders are foreign and do not have an employment history in Malta?

In cases where a shareholder/director owns 25% or more and does not have an employment history in Malta, the applicant may either present:

1. the Employment History from Jobsplus if the shareholder has a Maltese ID. The Employment History Form may be downloaded by [clicking here](https://jobsplus.gov.mt/resources/fileprovider.aspx?fileId=1765); *or*
2. proof that the person is registered with the MFSA with a foreign address and has a foreign passport number.

# Eligible Undertakings

## I’m exempt from registering under the VAT system, can I apply for this tax credit?  (I am a doctor and I am not required to be VAT registered, can I benefit from this scheme?).

Business activities that are not required to register with the VAT department can apply for this tax credit as long as their application is related to the carrying out the trade or business activity which is exempted from registering with the VAT department.

## Is a Maltese registered company whose main operating activity is outside Malta eligible?

Yes, a Maltese company operating mainly outside Malta is eligible.  However, tax credits will only be granted on costs which can be verified in Malta. (For verification and control purposes, you may be requested to transport back to Malta any equipment assisted.)

## Why are farmers and fishermen not eligible?

Assistance to farmers and fishermen is governed under different European Union Rules.  Farmers and fishermen should refer to the Ministry for Sustainable Development, the Environment and Climate Change ([www.environment.gov.mt](http://www.environment.gov.mt)).

##  Am I eligible for the tax credits if I have arrears with Government on social security and VAT payments?

The business will still be eligible but the Tax Credit Certificate will not be issued unless you regularise your position with the relative departments as per Section 3 (e) of the Incentive Guidelines.

## We own a company which does not have any employees.  Can we benefit from this incentive?

No. Applicants must employ at least one person at application stage in order to be eligible for this incentive. A company with no employees cannot benefit from this incentive as per Section 3 (c) of the Incentive Guidelines.

## Is this incentive available to providers of professional services (e.g. Doctors, accountants, consultants and dentists)?

Yes, providers of (non-voluntary) professional services are eligible.

## Is my voluntary organisation eligible for the Micro Invest?

No. Voluntary organisations are not eligible as per Section 6.2 (g) of the Incentive Guidelines.

## The annual turnover of my business fluctuates between € 9.9 million and € 10.1 million.  Am I eligible?

As per Section 3 (b) of the Incentive Guidelines, the applicant must be a single undertaking whose turnover did not exceed €10 Million[[1]](#footnote-1) in the fiscal year preceding the year in which the application is submitted.

## My premises are within a shopping complex and I rent it out from a third party (the owner of the shopping complex). Am I eligible for the scheme?

Malta Enterprise may request the applicant is to provide a copy of the lease contract which defines the agreement between the landlord and the tenant (who is also the applicant).

## What is a start-up?

For the purpose of these Incentive Guidelines, a ‘start-up’ shall be defined as an undertaking that has been established for less than four (4) years as determined from date of registration with the Malta Financial Services Authority (MFSA) or the date the person registered as a self-employed with Jobsplus as per Section 2.2 of the Incentive Guidelines.

If for example the Corporation is processing claims for costs incurred in 2016, the start-up could have been established in 2016 (Year 4), 2015 (Year 3), 2014 (Year 2), 2013 (Year 1) and 2012 (Year 0). Companies/Self-employed established prior to 2012 will not be considered as a start-up.

## What is a female-owned undertaking?

As per Section 2.4 of the Incentive Guidelines, a *female-owned undertaking* is an undertaking in which more than 50% of the stock is owned by one (1) or more women or a female self-employed person.

## If I am working in the car rental sector, and I purchase a motor vehicle, am I eligible to claim it under Micro Invest?

With regards to Motor Vehicles, if an applicant is working within the car rental sector, the applicant may claim the costs related to an investment in one (1) new motor vehicle (or first time registered / used in Malta) as long as such vehicle is involved in the **carrying of goods** (category N1, N2 or N3 motor vehicle), Special Purpose Motor Vehicles (as defined in the Incentive Guidelines Section 2.3.) and vehicles designed specifically for the carriage of ten (10) or more persons.

## What is a “single-undertaking”?

If the undertaking has a relation as described in Section 2.1 of the Incentive Guidelines it is considered to be a single undertaking.

The definition should be taken in the context of the *de minimis* regulation.  The notion of linked and partner enterprise is relevant to determining the size of an undertaking.

Further information may be found by [clicking here](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF).

## Could Business First confirm to us whether my undertakings are to be considered as linked or partner undertakings?

In order to confirm whether your undertaking is to be considered as a linked undertaking, kindly refer to *The revised User guidebook* *to the SME definition* which can be downloaded from the Malta Enterprise website. [Click here](http://www.maltaenterprise.com/en/support/microinvest) to download the relevant documents.

# Eligible Costs

## Section 4.4.1 of the Incentive Guidelines, states that in order to be eligible for wage costs there must be a net increase in capacity building that exceeds 3% of the highest wage costs of the previous two (2) years. How is the net increase calculated?

## The eligible value shall be calculated by deducting from wage costs incurred in the relevant fiscal year, the highest annual wage cost incurred in the preceding two (2) fiscal years.

## In estimating wage costs the Corporation shall take into consideration the total employment of the signing undertaking

The net increase in wage costs is calculated as per following two scenarios.

**Scenario A:**

 Claim for increased wage costs incurred in 2016.

Wage Costs in 2016

Highest wage costs of previous 2 years

|  |  |
| --- | --- |
| Year | Wage Costs (€) |
| 2014 | 10,000 |
| 2015 | 15,000 |
| 2016 | 20,000 |

 Eligible increase is the difference between 2015 & 2016 = €5,000 = 33.3% increase

In Scenario A, the applicant is eligible since there has been an increase in wage costs by 33.3% increase.

In this regard the Corporation will issue the following Tax Credits:

A Tax credit for an undertaking based in Malta = €5,000 x 45%

A Tax Credit for an undertaking based in Gozo = €5,000 x 65%

**Scenario B:**

 Claim for increased wage costs incurred in 2016.

Highest wage costs of previous 2 years

|  |  |
| --- | --- |
| Year | Wage Costs (€) |
| 2014 | 20,500 |
| 2015 | 18,000 |
| 2016 | 21,000 |

In Scenario B, the eligible increase is the difference between 2013 and 2015 = €500 which constitutes a 2.4% increase.

Wage Costs in 2016

The increase is less than 3%. Consequentially, the applicant is not eligible for tax credit on wage costs.

## Scenario C:

Claim for increased wage costs incurred in 2016.

Wage Costs in 2016

|  |  |
| --- | --- |
| Year | Wage Costs (€) |
| 2014 | 15,000 |
| 2015 | 20,000 |
| 2016 | 20,000 |

In Scenario C, there has been no increase in Wage Costs in 2016. Consequentially, the applicant is not eligible for tax credit on wage costs.

## Is the purchase of second hand equipment or instruments eligible?

The costs for the acquisition of second hand equipment and instruments may only be claimed if such items are imported and hence considered as first time used in Malta.  Any costs claimed must be supported by fiscal invoices and/or receipts as per Section 4.3 of the Incentive Guidelines.

## I purchased a car in 2016, but it was first time registered in 2015. May I apply for this cost under the Micro Invest scheme?

No. In order to be eligible the motor vehicle must be new and purchased in 2016 or first time registered in 2016.

## Are personal devices eligible?

Personal devices such as mobile phones and tablets are ineligible.

## If an applicant carries out an investment in 2015, can the applicant submit another application for a similar cost item carried out in 2016?

Yes. With regards to the eligible costs established in section 4.4 within the Incentive Guidelines, the costs must have been incurred in 2016. However, over a period of 3 years, investment in only one (1) new motor vehicle (or first time registered in Malta) could be made as long as such a vehicle is in line with Section 4.4.4 of the Inventive Guidelines.

## Is the furbishing of property which will be rented or leased eligible?

Furbishing and refurbishing costs on any registered business premises may be claimed. Furbishing and refurbishing costs may **not** be claimed in relation to property which will be rented or leased for residential purposes.

## Is the purchase of computers and computer software eligible?

Cost for the purchase of computers, software and other ICT equipment required to operate or improve the business are eligible.

## What are operating costs? Are they eligible?

No. Operating costs such as rent, electricity bills, and telephony and internet costs cannot be supported through this incentive.

## I pay a monthly charge to a service provider in relation to a cloud-based solution. Are maintenance costs related to services and other solutions provided by third parties qualifiable?

No. Only capital investment in IT is eligible under this scheme. Any maintenance costs are ineligible.

## Is there any limitation on the purchase of vehicles?

Yes, you can only claim a tax credit on the purchase of one (1) vehicle over a period of three (3) years starting from 2013. The vehicle must fall within one (1) of the eligible categories as defined in the Incentive Guideline. This incentive cannot support the purchase of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward.

## What kind of motor vehicles are eligible?

Only vehicles that fall in one of the eligible categories as defined in the Incentive Guideline Section 4.4.4. Road freight transport vehicles are not eligible when purchased by undertakings performing road freight transport for hire or reward.

## What is meant by vehicles that because of their nature can also be used for non-business (pleasure) activities? Are such vehicles eligible?

Vehicles that may be used for both business and recreational activities such as Isuzu Trooper, Mitsubishi Pajero, Mitsubishi Shogun, Land Rover Defender, Land Rover Discovery, Land Rover Freelander and Toyota Landcruiser or other similar vehicles, will not be considered eligible.

## Can two companies with separate registration numbers, but same shareholders claim for tax credits on the purchasing of a vehicle?

No. Only one (1) vehicle over a three (3) year period per ‘Single undertaking’ as defined in the Incentive guidelines is considered eligible.

## Can I claim rent or leasing of property and equipment?

No, all costs claimed must related to items acquired by the business.

## If an enterprise buys equipment with the intention of renting/leasing it, rather than using it in its own business, would this cost be eligible for a tax credit?

Yes, as long as the business of the applicant is in the provision of renting and/or leasing of the same equipment. Such equipment may not be leased out on a financial leasing agreement in which the equipment will eventually become the property of the lease.

## Are PV’s eligible?

Systems which help to save energy or produce alternative energy are eligible but must be related to a licensed business premises as specified in the trade licence issued by the commerce division or the permit issued by the Malta Environmental Planning Authority (MEPA).

PV systems shall be considered as eligible if connected to a commercial meter located at the applicants licensed business premises. Applicants must present the Malta Resources Authority (MRA) permit to generate electricity and their last electricity bill (on which the system is connected).

## Is the vehicle registration tax paid on second hand vehicles eligible?

No.  The vehicle registration tax paid on second hand vehicles in not eligible.

## One of the invoices submitted amounts less than € 200. Would it be considered to eligible?

As per Section 4.5 (m), any individual invoice having a value of less than €200 is not eligible.

## Part of my investment costs includes refurbishing the bathrooms and the installation of lighting fixtures. Are such costs eligible?

Yes, as long as the invoice clearly indicates both the supply of material and installations in order to be eligible.

## What is considered as a permit?

The Corporation shall be accepting operating licences, trading licences or MEPA permits as proof of a permit.

## Are Invoices or Fiscal Receipts required for all claimed costs?

Yes, all costs must be clearly documented. All Invoices / Fiscal Receipts must be in line with the requirements established in Section 4.3.

## I have purchased a service / product from a person who states that she/he has deregistered from VAT and cannot issue a fiscal receipt.   Can I claim these expenses?

Yes, you can claim these costs if the receipts presented contain the following info:

* Date of supply;
* Name, address and ID number of supplier;
* Name, address and V.A.T. registration number (if applicable) of customer;
* Details of the supply made;
* The price before and after any discount (clearly showing final price);
* A note indicating that the issuer of the receipt is not registered under V.A.T in line with LN500 of 2010.

## I have made an investment and I paid it in cash. Is it eligible?

Yes if the costs has been incurred between 1st January 2016 and 31st December 2016. Nevertheless, for each cost procured, the claim should include all the required documentation as per Section 4.3 of the Incentive Guidelines.

## Can a newly established undertaking registered in 2016 apply for wages?

Undertakings registered in 2016 would be eligible to apply for wages.

# Application Process and Tax Credits

## When should I apply for the tax credit?

We recommend that you submit your application as early as possible. As per Section 1.3 of the Incentive Guidelines, complete applications that are submitted by 30th March 2017 for costs incurred in 2016 will receive an Incentive Entitlement Certificate which shall be valid for the Year of Assessment of the same year. Complete applications submitted by 30th November 2017 for costs incurred in 2016 shall receive an Incentive Entitlement Certificate valid form the following Year of Assessment.

It is important to note that applications pertaining to self employed will be processed before the applications received by registered companies in view of the Annual Tax Return deadline.

## I forgot to include a cost item in March 2017. May I submit another application form?

No. As per Section 1.3 of the Incentive Guidelines, an undertaking that submits a claim by the March deadline may not submit another claim in November of the same year.

## I represent more than one company. May I submit more than one application?

Individuals submitting more than one (1) application (on behalf of other companies) will be required to set-up an appointment with Business First to present the original and copies of the documents unless the documentation has been certified by a CPA.

## Will Malta Enterprise assist me on filling me in the application form?

Business First can help answer your queries in relation to the application form.  Contact us by e-mail on info@businessfirst.com or by telephone on 144. You must ensure that you have all the required documentation of the costs you wish to claim available.

## Do we need to submit the application electronically? May we submit it manually instead?

## For costs incurred in 2016, the application form may be submitted electronically or manually by the stipulated primary deadline. Applicants who opt to use the online portal may benefit from a better communication experience in relation to any clarifications that may be required. It is therefore recommended that applicants consider this procedure.

## If the application is submitted electronically, how is the client going to sign the application form?

Once the form has been completed and all transactions have been input, the form needs to be printed, signed by the legal representative and CPA (if applicable), scanned and uploaded onto the system.

## If the application is submitted electronically, do we upload scanned documents of receipts etc?

If the applicant opts to verify the cost items by a warranted CPA, invoices or receipts are not required to be uploaded. Nevertheless, depending on the type of cost item, there is still some documentation which might need to be uploaded. For example in case of wage costs, the relevant FS7 forms need to be uploaded. The form will inform you accordingly. Malta Enterprise may still contact the beneficiary to provide evidence that the costs claimed have been settled or are tied to a binding commitment to be settled in a specific timeframe.

## Do we need to submit the enterprise size declaration? In the past this was always submitted but there is no mention of it for 2016?

## No. An enterprise size declaration is not required.

##  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 €1,000 and you receive a tax bill of €2,500, you can use the tax credit to pay €1,000 of the bill.

## How does the tax credit system work?

The 45% (or 65% for Gozo based undertakings) rate is used for calculating the value of the tax credit. If your eligible costs amount to €10,000 your tax credit would be €4,500 (that is 45% of €10,000). Once a complete application is processed by Malta Enterprise you will receive a certificate entitling you to the appropriate value of tax credit. This tax credit may then be applied on your final tax bill after any other regulatory deductions. That is, a tax credit of €4,500 will entitle you to a reduction of €4,500 from your tax bill as long as that income tax was charged on profits generated from the business activity which was granted the aid.

## Will I be able to roll-over any unutilised tax credits?

The tax credit must be utilised by the third year of assessment. (i.e. for certificates issued in respect of Year of Assessment 2016, the tax credit must be utilised until year of assessment 2018). With regards, to start-ups, the tax credit must be utilised by the fifth year of assessment (i.e. for certificates issued in respect of Year of Assessment 2017, the tax credit must be utilised until year of assessment 2021).

## I have benefitted from a Micro Invest tax credit in 2014 (for costs incurred in 2013) and did not apply for any tax credits in 2015 (for costs incurred in 2014) and 2016 (for costs incurred in 2015). Am I eligible for a tax credit of €30,000?

Yes. The maximum eligible amount to a single undertaking shall not exceed the amount of €30,000 over any period of three consecutive years, starting from any tax credits granted in 2014 (in respect of costs incurred in 2013).

## I have benefitted from a € 25,000 Micro Invest tax credit in 2015 (for costs incurred in 2014), and a € 2,500 Micro Invest tax credit in 2016. Am I eligible for a tax credit of € 30,000?

 Any tax credits granted in 2015 (for costs incurred in 2014) need to be deducted from the €30,000/€ 50,000 capping. If you have benefitted from a € 25,000 in 2015 and the €2,500 in 2016, you will be eligible of a maximum tax credit of €2,500 in 2017, or €22,500 in case of start-ups based in Gozo and female-owned undertakings.

## Who is eligible for a € 50,000 tax credit?

Start-up’s established in Gozo and which have been operating for less than four (4) years and employ 30 or less Full Time, are entitled to a maximum amount of €50,000 over any period of three (3) consecutive years, starting from any tax credits granted in respect of costs incurred in 2014.

A female-owned undertaking, that is an undertaking in which more than 50% of the stock is owned by one (1) or more women or a female self-employed person, are also entitled to a maximum amount of 50,000 over any period of three (3) consecutive years.

## Can a tax credit be claimed on VAT?

No, VAT is not an eligible cost under this scheme as per Section 4.5 (d). Tax credits will be granted on the net value of a cost item (excluding VAT).

## If I opted to benefit from the Investment Aid Tax Credits in a particular basis year, may I avail myself from the Micro Invest Scheme?

Applicants who have applied for investment aid measures (such as the Investment Aid Tax Credits 2014 – 2020) may not apply for this incentive for any investment carried out within the same year.

1. As per audit accounts or income tax return for the previous base year of the year the application is submitted. [↑](#footnote-ref-1)