

INCENTIVE GUIDELINES



Thematic:

Enterprise Support

Regulation:

Enterprise Support Regulations, 2008

Title of Incentive:

MicroInvest

Tax Credits for Micro Enterprises and the Self-employed

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www.maltaenterprise.com

<http://incentives.maltaenterprise.com>

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1. Introduction

1.1 Scope and Background

The scope of this scheme is to encourage micro enterprises and the self-employed to invest in their business, to innovate, expand, implement compliance directives and/or to develop their operations. Micro enterprises and self-employed will be supported through a tax credit representing a percentage of the eligible expenditure and wages of newly recruited employees and/or apprentices.

1.2 Duration of the incentive

This incentive runs for two years commencing on 1st January 2010. Applications for assistance under this incentive will be received until the 31st March 2012.

Malta Enterprise may periodically update and amend these Incentive Guidelines.

1.3 Legal Basis

Malta Enterprise is enabled to issue and publish official *Incentive Guidelines* in terms of Article 8(3)(a) of the *Malta Enterprise Act, Chapter 463 of the Laws of Malta*.

The legal notice entitled *Enterprise Support Regulations, 2008 (L.N. 70 of 2008)*, issued under the *Malta Enterprise Act*, provides the legal basis of this incentive.

1.4 Designated Authority

This incentive is administered by Malta Enterprise

2. Eligibility

2.1 Eligible Entities

This incentive is open to all micro enterprises, including micro start ups, who at point of application, satisfy all of the following criteria:

- (a) The enterprise must not employ more than 9 persons (full time) as at 10th November 2009. Micro start-ups set up after this date are also deemed eligible¹.
- (b) The annual turnover of the enterprise must not exceed €2 Million;
- (c) Enterprises should be registered with the VAT department and in possession of regulatory licences and permits where applicable.
 - Retail outlets should have a valid trading licence issued by the Commerce Division;
 - Bars, restaurants and hospitality activities should have a valid licence issued by the Malta Tourism Authority.
- (d) Applicants must not be defaulting on VAT, Income Tax, Social Security and rent payments to government.

Persons or undertakings engaged in activities specifically excluded under the *de minimis* regulations (vide Section 5) are not eligible for this incentive.

This incentive is intended to support enterprises that carry out a trade or business, hence it not intended for voluntary organisations.

¹ For the purposes of this incentive, the determination of full-time employment considers persons working on reduced hours, or employees working in excess of 20 hours per week.

3. Incentive Description

3.1 *Applicable aid intensity*

Malta Enterprise may approve a tax credit equivalent to **40%** of eligible expenditure. An additional bonus of **20%** (total 60% tax credit) applies to **Gozo** based micro enterprises.

3.2 *Maximum Aid per enterprise*

The maximum tax credit per enterprise shall be capped at **€25,000** for the duration of this incentive.

3.3 *Qualifying Costs*

Costs must be incurred and paid for between 1st January 2010 and 31st December 2011.

Eligible expenses include:

- (a) Investment in refurbishing, refurbishing and upgrading of business premises including extensions or modifications to premises²;
- (b) investment in acquiring machinery, technology, apparatus or instruments which enhance the operations, including systems which help to save energy or to produce alternative energy;
- (c) investment required to become compliant with regulations including Health & Safety, Environmental directives and Physical access.
- (d) Investment in one motor vehicle as long as such vehicle is involved in the carrying of goods (category N1, N2 or N3 motor vehicle), Tractors (category D) and Special Purpose Motor Vehicles (category E) as established in the Motor Vehicle Registration and Licensing Act (Cap. 368).³
- (e) Wages costs covering a 12 month period pertaining to new jobs and apprenticeships created as from 10th November 2009 as long as this constitutes a net increase in the total number of employees of the applicant.

² For the sake of clarity, extensions and modifications to premises will be understood as interventions whose cost does not exceed 20% of the overall costs claimed under this incentive.

³ The purchase of new vehicles is governed by the following conditions:

- a) only one vehicle per undertaking qualifies for this incentive;
- b) the purchase of a new vehicle as a replacement of an existing one will need to demonstrate a lower level of CO₂ emissions and/or a modification to the previous vehicle.

3.4 Ineligible Costs

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

- (a) Purchase of land and/or property;
- (b) Acquisition of works of art, antiques and any assets that are not directly related to the trade and business of applicant;
- (c) Costs that are assisted (even partly) through other incentive measures.

3.5 Additional Provisions

The following additional provisions shall apply:

- (a) Any tax credits awarded under this incentive shall not give rise to a right of any tax refund.
- (b) The tax credit must be utilised by year of assessment 2014.
- (c) Tax Credits are utilised against tax incurred on income derived from the trade or business activity only.
- (d) Applicant consents that data and information may be acquired from 3rd parties for the scope of assessing and implementing this incentive.

4. Application and Assignment of Aid

4.1 Application

Applications should be made to the Corporation on completion of the project.

Applicants should submit the official application which can be downloaded from the incentives website <http://incentives.maltaenterprise.com>. All applications must be completed electronically⁴ and may be posted, or delivered by hand.

Applicants may submit one application per annum.

4.2 Onsite Inspections

Malta Enterprise and/or the Inland Revenue Department may carry out onsite visits to determine whether:

- (a) the investment has been implemented in line with the parameters set in these guidelines;
- (b) the application and documentation submitted are consistent with the actual investment project.

4.3 Approval

On being satisfied that an applicant satisfies the conditions set out in these Guidelines and the Regulations, the Corporation will provide the applicant with a *Certificate* that will enable the applicant to benefit from a tax credit. The *Certificate* will be issued subject to terms and conditions that may be imposed by the Corporation. The benefits entitled by such *Certificate* may be revoked if the applicant fails to abide by such terms and conditions.

Malta Enterprise and the Inland Revenue Department reserve the right to revoke the *Certificate* and recover any tax incentive the applicant may have benefited from in terms of this guideline in the case of:

- (a) misuse or abuse of assets after the completion of the project;
- (b) double funding of the same costs from Malta Enterprise or other public entities;
- (c) any breach of regulations on State Aid;
- (d) expenditure not directly related to the trade or business activity.

⁴ Hand written applications will not be accepted.

5 State Aid Rules and Obligations

5.1 Applicable State Aid

This Incentive Guideline is in line with Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, Official Journal L379 of 28.12.2006.⁵

In terms of this State Aid regulation, an enterprise may receive a total amount of aid up to €200,000 over a rolling three fiscal year period. This maximum threshold includes all *de minimis* aid granted to the beneficiary including that received from any entity other than Malta Enterprise.

The beneficiary will have to repay with interest any *de minimis* aid in excess of the €200,000 threshold.

5.1.1 Eligibility for De Minimis Aid

This incentive is governed by the *de minimis* regulations and therefore the incentive will **NOT** apply to the following:

1. Aid granted to undertakings active in the fishery and aquaculture sectors as covered by Council Regulation (EC) No. 104/2000;
2. Aid granted to undertakings active in the primary production of agricultural products as listed in Annex 1 to the Treaty;
3. Aid granted to undertakings active in the processing and marketing of agricultural products as listed in Annex 1 to the Treaty, in the following cases:
 - When 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;
 - When the aid is conditional on being partly or entirely passed on to primary producers;
4. 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;
5. Aid contingent upon the use of domestic over imported goods;
6. Aid granted to undertakings in difficulty.

5.2 Cumulation

In terms of the *de minimis* regulation quoted above, assistance shall not be cumulated with State Aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding that fixed in the specific circumstances of each case by a block exemption regulation or decision adopted by the European Commission.

⁵ http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_379/l_37920061228en00050010.pdf

6. Contact Details

Further information on the scheme, as well as guidance on the filling in of the application and on which costs are considered eligible, may be obtained by contacting Malta Enterprise during office hours.

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