

Incentive Guidelines
MicroInvest



Tax Credit Incentive for Micro Enterprises & Self Employed



MALTAENTERPRISE

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<http://support.maltaenterprise.com>



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1. Introduction

1.1 Scope

The scope of this scheme is to encourage undertakings to invest in their business, to innovate, expand, implement compliance directives or to develop their operations. Such undertakings may include self-employed persons. Undertakings 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 covers eligible cost incurred between 1st January 2013 and 31st December 2013 both dates included.

Applications for assistance under this incentive will be received until the 28th March 2014.

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.

The Enterprise Support Incentives Regulations as subsidiary legislation 463.04 to the Malta Enterprise Act, mentioned in the previous paragraph, forms the national legal basis of this aid scheme.

1.4 Designated Authority

This incentive is administered by Malta Enterprise.

1.5 Definitions

For the purpose of this incentive guidelines, the following definitions shall apply:

- a. A group of undertakings is made-up of partner and/or linked undertakings in terms of Annex 1 of Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Article 87 and 88 of the Treaty (General block exemption Regulation)¹.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:en:PDF>

2. Eligibility

This incentive is open to all undertakings, which at point of application satisfy all of the following criteria:.

- a. In the case of autonomous undertakings², the undertaking must not employ more than 30 persons (full time equivalent) as at 30th November 2012 and the annual turnover of the undertaking for 2012 must not exceed €10 Million³.
- b. In the case of undertakings forming part of a group in terms of section 1.5 (a) of this guidelines, the group must not employ more than 30 persons (full time equivalent) as at 30th November 2012 and the annual turnover of the group for 2012 must not exceed €10 Million³.
- c. The undertaking must employ at least 1 person. Start-up⁴ undertakings set up after this date and employing at least 1 person between the setting-up date and the 31st of December 2013 are deemed as eligible.
- d. Undertakings should be registered with the VAT department.
- e. Undertakings should be in possession of regulatory licences and permits where applicable.
 - i. Retail outlets should have a valid trading licence issued by the Commerce Division;
 - ii. Bars, restaurants and hospitality activities should have a valid licence issued by the Malta Tourism Authority.
- f. Applicants must not be defaulting on VAT, Income Tax, Social Security and rent payments to government.
- g. Persons or undertakings engaged in activities specifically excluded under the de minimis regulations (vide Section 5) are not eligible for this incentive.
- h. This incentive is intended to support enterprises that carry out a trade or business, hence it not intended for voluntary organisations.

² Autonomous undertaking in terms of Annex 1 of Commission Regulation (EC) No 800/2008 (<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:en:PDF>).

³ As per audit accounts or income tax return for base year 2012.

⁴ For the purpose of this incentive guideline, a start-up undertaking is a newly created undertaking.

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 undertakings operating from Gozo.

3.2 Maximum aid per undertaking

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

For applicants holding an Incentive Entitlement Certificate issued under the previous Tax Credits for Micro Enterprises and the Self Employed, also known as Micro Invest (for eligible expenses incurred and paid during the period 1st January 2010 to 31st December 2012), the applicable capping shall be reduced by the amount of any assistance already approved.

3.3 Qualifying Costs

Costs must be incurred and paid for between 1st January 2013 and 31st December 2013.

Eligible expenses include:

- a. Costs subcontracted to third parties in relation to refurbishing, refurbishing and upgrading of business premises including extensions or modifications to premises. Items related to refurbishing, refurbishing and upgrading of business premises that are not part of a receipt issued by the subcontractor providing the services will not be accepted.
- 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), and Special Purpose Motor Vehicles (category E) as established in the Motor Vehicle Registration and Licensing Act (Cap. 368).⁵
- e. Wages costs covering a 12 month period pertaining to new jobs and apprenticeships created as from 1st January 2013 as long as this constitutes a net increase in the total number of employees of the applicant when compared to the employment figure as on the 30th November 2012.

Part-time employment is also considered eligible when such employment required the employee to work in excess of 20 hours per week

All assisted jobs must be maintained by the beneficiary for a period of at least 36 months. In the case of termination of employment of a person assigned to the job, the vacancy should be filled within a period of not longer than six months. The total number of employees should in no case be lower than the number of employees employed by the applicant as at 30th November 2012.

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.
- d. Any individual cost item having a value of less than €100.

5 The purchase of vehicles is governed by the following conditions: (i) only one vehicle per undertaking qualifies for this incentive; (ii) applicants with approved assistance for the purchase of a vehicle under the previous Micro Invest scheme will not be eligible for further assistance on vehicles under this scheme.

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. For any investment in equipment, instruments and motor vehicles, the purchase of which is supported from this incentive, must be retained by the beneficiary for at least 36 months, otherwise Malta Enterprise may revoke any assistance granted for the purchase of such items. Any replacement of such items before this period should be duly notified and justified to Malta Enterprise before the replacement takes place.
- c. The tax credit must be utilised by year of assessment 2017.
- d. Tax Credits are utilised against tax incurred on income derived from the trade or business activity only.
- e. Applicant consents that data and information may be acquired from 3rd parties for the scope of assessing and implementing this incentive.
- f. Undertakings in line with eligibility requirements as defined by sub-regulation 13 (2) of the Enterprise Support Incentives Regulations⁶ as subsidiary legislation 463.04 to the Malta Enterprise Act⁷, having incurred costs on eligible cost items of type defined by section 3.3(a), 3.3(b), 3.3(c) or 3.3(d) of this incentive guideline between the 1st July 2012 and the 31st December 2012, having applied for regulatory licences and permits as required by section 2(e) of this incentive guideline not later than the 31st March 2013, and having attained these regulatory licences and permits after the 31st March 2013 are deemed as eligible for assistance on such eligible cost items under this incentive. Terms and conditions as defined by sections 2d, 2e, 2f, 2g, 2h, 3.1, 3.2, 3.4, 3.5(a), 3.5(b), 3.5(c), 3.5(d), 3.5(e), 4 and 5 of this incentive guidelines shall apply. Applicants applying under these conditions are advised to contact Malta Enterprise before filling-in the application.
- g. 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.

⁶ <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=11609&l=1>

⁷ <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8929&l=1>

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://www.maltaenterprise.com/en/support/microinvest>. All applications must be completed electronically and may be posted, or delivered by hand.

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, 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.

5 State Aid Rules and Obligations

5.1 Applicable State Aid

These Incentive Guidelines are 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.

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

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 De minimis Aid

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

- a. Aid granted to undertakings active in the fishery and aquaculture sectors as covered by Council Regulation (EC) No. 104/2000;
- b. Aid granted to undertakings active in the primary production of agricultural products as listed in Annex 1 to the Treaty;
- c. 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:
 - i. 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;
 - ii. When 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.
- g. Aid granted to undertakings in difficulty.

5.2 Cumulation

Aid granted under this incentive may only be cumulated with other aid under any other incentive, or with other Community funding, in relation to the same item of expenditure as long as such cumulation does not exceed the gross aid intensity fixed by these Incentive Guidelines.

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.

6. 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 Malta Enterprise during office hours.

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The official Incentive Guidelines are published at
<http://www.maltaenterprise.com/en/support/microinvest>

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