

Incentive Guidelines

MicroInvest 2014



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, and 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 2014 and 31st December 2020 both dates included.

Claims for assistance under this incentive will be received by not later than the following days¹:

Claims for costs incurred in	Applications should be submitted by not later than:
2014	30 th March 2015 (4 p.m.)
2015	30 th March 2016 (4 p.m.)
2016	30 th March 2017 (4 p.m.)
2017	29 th March 2018 (4 p.m.)
2018	29 th March 2019 (4 p.m.)
2019	27 th March 2020 (4 p.m.)
2020	26 th March 2021 (4 p.m.)

Late and/or incomplete submissions shall not be accepted.

1.3 Legal Basis

Malta Enterprise Corporation may issue and publish update to 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.

¹Malta Enterprise will initially process applications submitted by Self-Employed persons, the processing of application submitted from other undertakings will commence after these have been completed.

1.5 Definitions

1.5.1 Single Undertakings

For the purpose of these Incentive Guidelines, the terminology 'single undertaking' shall be defined as follows:

As per Commission Regulation EU No 1407/2013 of 18 December 2013 on the application of the Treaty on the Functioning of the European Union to *de minimis aid*, 'Single undertaking' includes, for the purposes of this Regulation, all enterprises having at least one of the following relationships with each other:

- (a) one enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
- (b) one enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- (c) one enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
- (d) one enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

Enterprises having any of the relationships referred to in points (a) to (d) of the first subparagraph through one or more other enterprises shall also be considered to be a single undertaking.²

The same regulation states that a group of linked enterprises is considered as one single undertaking for the application of the *de minimis* rule, but that enterprises which have no relationship with each other except for the fact that each of them has a direct link to the same public body or bodies are not treated as being linked to each other. The specific situation of enterprises controlled by the same public body or bodies, which may have an independent power of decision, is therefore taken into account.²

1.5.2 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 the Employment and Training Corporation (ETC).

A start-up would not include any enterprises that close down and re-open. Enterprises controlled by owners of previously closed down businesses cannot be considered as a start-up under this incentive if the new enterprise is operative in the same or related sectors as that of the closed down firm.

This restriction applies for a period of twelve (12) months following such closure.

1.5.3 Special Purpose Vehicles

For the purpose of these Incentive Guidelines, "special purpose vehicles" shall be defined as any vehicle that is designed specifically to support or enable an economic activity and which is not intended for the carriage of persons.'

² Commission Regulation (EU) No 1407/2013 of 18th December 2013

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF>

2. Eligibility

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

- a. The applicant must be a single undertaking that for the year in which the costs were incurred did not employ more than thirty (30) persons (Full Time Equivalent) and had a turnover that did not exceed €10 Million³. The applicants must calculate their FTE on their last full financial year preceding the year in which the claimed costs were incurred. The number of full-time equivalent employees is the total number of:
 - i) The number of full time employees that were engaged for a full year in the relevant financial period.
 - ii) The result of the total hours worked by part time employees in the relevant financial year divided by 1760 hours.
 - iii) The summation of the days worked by full time employees that were only engaged for part of the relevant financial period divided by 360.
- b. The applicant (legal person submitting the application) must employ at least one (1) person (on full or part time basis) at date of application. The person employed may be the applicant himself in the case of self-employed persons. In any case such employment must be registered with the ETC.
- c. Unless exempted, applicants should be registered with the VAT department.
- d. Self-employed persons should be registered with ETC.
- e. All applicants must provide required documentation that they are duly licensed to carry out their trade or business.
- f. Applicants must not be defaulting on VAT, Income Tax, and Social Security. No Tax Certificate will be issued by the Corporation prior to regularising the position with the relative departments.
- 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 is not intended for voluntary organisations.

³ As per audit accounts or income tax return for the previous base year of the year the application is submitted.

3. Incentive Description

3.1 Applicable aid intensity

Malta Enterprise may approve a tax credit equivalent to 45% of eligible expenditure. An additional bonus of 20% (total 65% tax credit) applies to undertakings operating from Gozo.

3.2 Maximum aid per undertaking

The maximum eligible amount to a single undertaking shall not exceed the amount of €30,000 over any period of three (3) consecutive years, starting from any tax credits granted in 2014 for costs incurred in 2013.

The maximum eligible amount to start-up established in Gozo shall not exceed the 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.

Aid awarded through 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 2013 to 31st December 2013), shall be deducted from the eligible capping in relation to application submitted in 2014 and 2015.

3.3 Qualifying Costs

Costs must be incurred and paid for between 1st January and 31st December of the year preceding the year in which the claim is submitted. As a result, for a claim to be submitted in 2015, the costs claimed must have been incurred in 2014.

The following documentation must be presented.

an original Tax Invoice (as specified in the 12th Schedule of the VAT Act Chapter 406 of the Laws of Malta) and an original receipt,

or

an original Fiscal Receipt (as specified in the 13th Schedule of Chapter 406 of the VAT Act) together with a copy of the invoice,

and

proof of payment/s which include certified true copies of bank statements and cheque encashment images).

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 in line with the permits issued by MEPA. Items related to refurbishing, refurbishing and upgrading of business premises that do not include installation costs and/or are not part of a receipt issued by the subcontractor providing the services will not be accepted.
- b. Investment in acquiring new (or first time used in Malta) machinery, technology, apparatus or instruments which enhance the operations, including systems which help to save energy or to produce alternative energy.
- c. Capital Investment in Information Technology.

- d. Over a period of three (3) years, investment in one (1) new motor vehicle (or first time used in Malta) as long as such vehicle is involved in the carrying of goods (category N1, N2 or N3 motor vehicle), and Special Purpose Motor Vehicles as defined in Section 1.5.3 of the Incentive Guidelines.⁴

Vehicles that because of their nature can also be used for non-business (pleasure) activities will not be considered eligible.⁵

- e. Wages costs covering the first twelve (12) month period pertaining to new **full-time** jobs created as from 1st January 2013 as long as this constitutes a net increase in the total number of **full-time** employees of the applicant when compared to the employment figure of the previous years. Basic wage costs excluding any allowances, bonuses, insurances and national insurance borne by the employer shall be considered as eligible. Wage costs may only be claimed for the year preceding that in which an application is submitted.
- f. Part-time employment is eligible when such employment required the employee to work in excess of twenty (20) hours per week.
- g. With regards to claims for employment commencing after January and with the costs overrunning in the following year, the residual months of the 12 month period (which have not been claimed for) could be included in the following year's application form. This is subject to the maximum aid per undertaking outlined in Section 3.2.

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. Operating costs.
- d. VAT.
- e. Allowances, bonuses, insurances and national insurance borne by the employer.
- f. Costs that are assisted (even partly) through other incentive measures.
- g. Spare-parts and maintenance costs.
- h. Personal devices such as mobile phones and tablets.
- i. Any individual invoice item having a value of less than €200. Should an invoice list complimentary items that are individually below the €200 threshold, Malta Enterprise may at its discretion accept these costs items as a single item and consider the total value of the presented invoice.
- j. Investment in acquiring machinery, technology, apparatus or instruments which enhance the operations, including systems which help to save energy or to produce alternative energy which has already been utilised in Malta.
- k. Investment in one (1) motor vehicle which has already been utilised in Malta.
- l. Any investment paid in cash.

⁴ In any consecutive three (3) year period commencing from claims submitted in 2014 (in relation to motor vehicle purchased in 2013) an applicant may only be awarded tax credits in relation to the acquisition of one (1) eligible vehicle.

⁵ A list of vehicles is included in the FAQs which may be downloaded from <http://www.maltaenterprise.com/en/support/microinvest>

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 the third year of assessment following the year in which the Incentive Entitlement Certificate is awarded. (i.e. for certificates issued in 2014, the tax credit must be utilised until year of assessment 2016)
- c. With regards, to start-ups, the tax credit must be utilised by the fourth year of assessment following the year in which the Incentive Entitlement Certificate is awarded (i.e. for certificates issued in 2014, the tax credit must be utilised until 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 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.
- f. Aid approved by the Corporation will be revoked or reduced to the applicable value if the undertaking fails to reimburse old, unlawful and incompatible aid that is subject to a recovery decision.
- g. Aid approved by the Corporation will be revoked or reduced to the applicable value if the undertaking has been assisted for the same cost items via other national or European funds (including costs funded through the *Jeremie* Scheme and other financial instruments).
- h. Applications from eligible undertakings that do not present the relevant compliance certificates will be considered as incomplete applications.
- i. All applications must be completed electronically. Hand-written and/or incomplete applications will be rejected.

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; and
- 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; and
- 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 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)*⁶

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 form⁷ must be filled in and submitted together with the application form.

5.2 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. 104/2000⁸;
- 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 (a), (b) and (c) above as well as in other sectors falling within the scope of the *de minimis* Regulation, the Corporation will ensure a 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 [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_379/l_37920061228en00050010.pdf]

⁷ The *de minimis* Aid Declaration may be downloaded from <http://www.maltaenterprise.com/en/support/docs/de-minimis-declaration>

⁸ 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).

5.3 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.⁹

5.4 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 360/2012¹⁰ 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 **MicroInvest 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.

⁹ Community Guidelines on State Aid for Rescuing and Restructuring Firms in Difficulty

[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)

¹⁰ 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).



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 Business First during office hours.

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

Tel: 144

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

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

www.businessfirst.com.mt

Email: info@businessfirst.com.mt

7. Annex 1- Amendments to the Incentive Guidelines

The following amendments have been made to the Incentive Guidelines version 1 published on 1st April 2014:

7.1 Definitions

A definition of *Start-ups* and *Special Purpose Vehicles* has been added to section 1.5.

A definition of *Special Purpose Vehicles* has been added to Section 1.5

7.2 Eligibility

Section 2 of the Incentive Guidelines has been amended to include the following eligibility clauses:

2 (c) Unless exempted, applicants should be registered with the VAT department

2 (d) Self- employed persons should be registered with ETC

2(e) All applications must provide required documentation that they are duly licensed to carry out their trade or business.

2 (f) Applicants must not be defaulting on VAT, Income Tax, and Social Security. No Tax Certificate will be issued by the Corporation prior to regularising the position with the relative departments.

7.3 Incentive Description

Section 3.2 of the Incentive Guidelines has been amended in order to clarify further the following clause.

The maximum eligible amount to a single undertaking shall not exceed the amount of €30,000 over any period of three (3) consecutive years, starting from any tax credits granted in 2014 for costs incurred in 2013.

On the other hand, Section 3.3 of the Incentive Guidelines has been amended to include the following clauses regarding non-business vehicles and wage costs.

3.3 (a) Costs subcontracted to third parties in relation to refurbishing, refurbishing and upgrading of business premises including extensions or modifications to premises in line with the permits issued by MEPA. Items related to refurbishing, refurbishing and upgrading of business premises that do not include installation costs and/or are not part of a receipt issued by the subcontractor providing the services will not be accepted.

3.3 (d) Over a period of three (3) years, investment in one (1) new motor vehicle (or first time used in Malta) as long as such vehicle is involved in the carrying of goods (category N1, N2 or N3

motor vehicle), and Special Purpose Motor Vehicles as defined in Section 1.5.3 of the Incentive Guidelines.¹¹

Vehicles that because of their nature can also be used for non-business (pleasure) activities will not be considered eligible.¹²

3.3 (e) Wages costs covering the first 12 month period pertaining to new **full-time** jobs created as from 1st January 2013 as long as this constitutes a net increase in the total number of **full-time** employees of the applicant when compared to the employment figure of the previous years. Basic wage costs excluding any allowances, bonuses, insurances and national insurance borne by the employer shall be considered as eligible. Wage costs may only be claimed for the year preceding that in which an application is submitted.

7.4 Calculation of FTEs

The number of full-time equivalent employees shall be calculated as follows:

- i) The number of full time employees that were engaged for a full year in the relevant financial period
- ii) The result of the total hours worked by part time employees in the relevant financial year divided by 1760 hours
- iii) The summation of day worked by full time employees that were only engaged for part of the relevant financial period divided by 360.

7.5 Ineligible Costs

Section 3.4 of the Incentive Guidelines has been amended to include the following ineligible costs:

3.4 (c) Operating Costs;

3.4 (d) VAT;

3.4 (e) Allowance, bonuses, insurances and national insurance borne by the employer;

3.4 (i) Any individual invoice item having a value of less than €200. Should an invoice list complimentary items that are individually below the €200 threshold, Malta Enterprise may at its discretion accept these costs items as a single item and consider the total value of the presented invoice.

3.4 (l) Any investment paid in cash.

¹¹ In any consecutive three (3) year period commencing from claims submitted in 2014 (in relation to a motor vehicle purchased in 2013) an applicant may only be awarded tax credits in relation to the acquisition of one (1) eligible vehicle.

¹² A list of vehicles is included in the FAQs which may be downloaded from <http://www.maltaenterprise.com/en/support/microinvest>



7.6

Additional Provisions

Section 3.5 of the Incentive Guidelines has been amended to include the following additional provisions:

3.5 (g) Aid approved by the Corporation will be revoked or reduced to the applicable value if the undertaking has been assisted for the same cost items via other national or European funds (including costs funded through the *Jeremie* Scheme and other financial instruments)

3.5 (h) Applications from eligible undertakings that do not present the relevant compliance certificates will be considered as incomplete applications.

3.5 (i) All applications must be completed electronically. Hand-written and/or incomplete applications will be rejected.