

Incentive Guidelines

Micro Invest



MALTAENTERPRISE

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<http://support.maltaenterprise.com>

Malta Enterprise provides support to interested applicants to understand the objectives of the incentive, explain details relevant to the scheme and address any problems they might encounter when completing their application. Applicants may contact Business First by calling 144 or by email on info@businessfirst.com.mt.

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1. Introduction

1.1 Incentive Overview

Micro Invest encourages undertakings (including start-ups, family businesses and self-employed) to invest in their business, so as to innovate, expand and develop their operations. Undertakings benefiting from this measure will be supported through a tax credit calculated as a percentage of eligible expenditure and wages costs.

1.2 Duration of the incentive

These Incentive Guidelines are effective from 1st January 2014 and shall be available until 31st December 2020.

1.3 Applying for this incentive

Undertakings wishing to benefit from this incentive may submit one (1) application per calendar year which can only include costs incurred during the previous year.

Malta Enterprise Corporation (hereinafter referred to as 'the Corporation') has established a primary deadline for the submission of applications covering costs for the previous calendar year as per Table 1.

- i. Applicants that submit their application by the primary deadlines and whose application is accepted by the Corporation will receive an Incentive Entitlement Certificate which shall be valid from that Year of Assessment.
- ii. Applicants that submit their application after the primary deadlines and whose application is accepted by the Corporation will receive an Incentive Entitlement Certificate valid from the following Year of Assessment.
- iii. The Corporation will reject any application which cannot be processed due to incomplete, missing or incorrect documentation.

Table 1

Claims for costs incurred in	Primary Deadline (self Employed submitting tax return in June):	Primary Deadline (Companies submitting tax return in September):	Late Submissions	Eligible Application will receive an Incentive Entitlement Certificate commencing from year of assessment
2014	30 th March 2015			2015
			30 th November 2015	2016
2015	30 th March 2016			2016
			30 th November 2016	2017
2016	30 th March 2017	31 st May 2017		2017
			15 th December 2017	2018
2017	29 th March 2018	31 st May 2018		2018
			14 th December 2018	2019
2018	29 th March 2019	31 st May 2019		2019
			13 th December 2019	2020
2019	27 th March 2020	29 th May 2020		2020
			15 th December 2020	2021
2020	27 th March 2021	31 st May 2021		2021
			15 th December 2021	2022

1.4 Legal Basis

Malta Enterprise Corporation may issue and publish updates 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 Tax Credits for Micro Enterprises and Self-Employed Regulations as subsidiary legislation 463.09 to the Malta Enterprise Act, mentioned in the previous paragraph, forms the national legal basis of this aid scheme.

1.5 Designated Authority

This incentive is administered by Malta Enterprise Corporation (hereinafter referred to at the Corporation).

2. Definitions

2.1 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 undertakings having at least one (1) of the following relationships with each other:

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

Undertakings having any of the relationships referred to in points (a) to (d) of the first subparagraph through one or more other undertakings shall also be considered to be a single undertaking.¹

The same regulation states that a group of linked undertakings is considered as one single undertaking for the application of the *de minimis* rule, but those undertakings 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 undertakings controlled by the same public body or bodies, which may have an independent power of decision, is therefore taken into account.¹

2.2 Start-Up

For the purpose of these Incentive Guidelines, a *start-up* undertaking 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 with Jobsplus as self-employed.

Undertakings controlled by owners of previously closed down businesses cannot be considered as a start-up under this incentive if the new undertaking 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.

2.3 Special Purpose Motor Vehicles

For the purpose of these Incentive Guidelines, *special purpose motor vehicles* shall be defined as any vehicle that is designed specifically to support or enable an economic activity.

¹ [Commission Regulation \(EU\) No 1407/2013 of 18th December 2013](#)

[2.4 Female-owned undertaking](#)

For the purpose of these 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.

[2.5 Family Business](#)

A Family business is an undertaking as defined in Article 3 of the Family Business Act (Chapter 565 of the Laws of Malta) that is duly registered as a Family business and holds a valid certificate issued by the Regulator for Family Businesses.

[2.6 Incentive Entitlement Certificate \(IEC\)](#)

An *Incentive Entitlement Certificate (IEC)* means a certificate issued in terms of Part VI of the Malta Enterprise Act, outlining the support granted and any applicable terms and conditions.

3. Eligibility

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

- a) The applicant must be an undertaking that for a consecutive three (3) month period during the year in which the costs were incurred did not employ more than thirty (30) persons on Full Time (FT) contracts (the data used to verify this condition is provided by Jobsplus).
- b) The applicant must be an undertaking whose turnover did not exceed €10 Million² in the fiscal year preceding the year in which the application is submitted.
- c) At the date of application, the applicant (legal person submitting the application) must employ at least one (1) person (on full or part time basis)³.
- d) Unless exempted, applicants should be duly registered with the VAT department.
- e) Persons or undertakings engaged in activities specifically excluded under the *de minimis* regulations (vide Section 6) are not eligible for this incentive.

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.

² As per audit accounts or income tax return for the previous base year of the year the application is submitted.

³ The person employed may be the applicant in the case of self-employed persons. In any case such employment must be registered with the Jobsplus.

4. Incentive Description

4.1 Applicable aid intensity

Malta Enterprise will 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.

4.2 Maximum aid per undertaking

The maximum eligible tax credits per single undertaking is capped at €30,000 over any period of three (3) consecutive fiscal years, starting from eligible expenses incurred and paid for during the period 1st January 2013 to 31st December 2013, except for start-ups established in Gozo and Female-Owned undertakings where the capping is set at €50,000.

As from 1st January 2018, (for costs incurred in 2017), the maximum eligible tax credits per a single undertaking which may be classified as a Family Business is capped at €50,000 over any period of three (3) consecutive fiscal years .

In case of partnerships the eligible amount will be split according to ownership. Hence, as an example, in case of a partnership where 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.

Legal persons forming part of partnerships may not benefit from more that €30,000 or €50,000 (as may be applicable in line with the Guidelines), if they are engaged in more than one partnership and/or are also registered as self employed.

4.3 Qualifying Costs

Costs claimed must have been invoiced between 1st January and 31st December (both days included) of the year preceding the year in which the claim is submitted.

Costs claimed must be covered by the appropriate fiscal documentation. The applicant is expected to be in a position to provide evidence that the costs claimed have been settled or are tied to a binding commitment to be settled in a specific timeframe.

For example for costs incurred in Malta the applicant should be in possession of :

a) a Tax Invoice (as specified in the 12th Schedule of the VAT Act Chapter 406 of the Laws of Malta);

or

b) a Fiscal Receipt (as specified in the 13th Schedule of Chapter 406 of the VAT Act).

4.4 Eligible Costs

4.4.1 Wage Costs

Eligible undertakings may apply for a tax credit on an increase in wage cost that exceed 3%, 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.

Example 1

Claim for increased wage costs incurred in 2016.

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

Eligible Increase is the difference between 2015 and 2016 = €5,000 (which constitutes 33.3% increase).

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

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

Example 2

Claim for increased wage costs incurred in 2016.

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

The eligible increase is the difference between 2014 and 2016 = €500 (which constitutes 2.4% increase).

Increase is less than 3%. Hence, increased wage costs are not eligible.

4.4.2 Furbishing and refurbishing

Costs incurred for services rendered for the furbishing, refurbishing and upgrading⁴ of business premises by third parties, including costs of materials and other items required for furbishing, refurbishing and upgrading of the business premises that are endorsed as to have been utilised by the third party providing the services in the works carried out.

When furbishing and refurbishing works are carried out by the applicant or the applicant's employees, the Corporation shall accept the costs incurred for the purchase of materials if photographic evidence of the works is provided.

⁴including extensions or modifications to premises.

4.4.3 Investment Costs

Eligible undertakings may apply for investments in:

- a. Acquiring new (or first time used in Malta) machinery, technology, apparatus and instruments.
- b. Systems intended to produce alternative energy.
- c. Tangible and intangible assets required for digitisation of the business operation. Eligible costs may include:
 - i. Computer hardware.
 - ii. Packaged software solutions.
 - iii. Development costs for new software systems, websites and digital applications. In these cases the applicant must submit the agreement with the supplier specifying the parameters and functionality of the systems/website/application being developed. Maintenance costs are not eligible.

Costs incurred in relation to the applicants websites developments, updates and enhancement.

4.4.4 Motor Vehicle Costs

Over a period of three (3) years, investment in one (1) new motor vehicle (or first time registered in Malta) as long as such vehicle is⁵:

- a. involved in the carrying of goods (category N1, N2 or N3 motor vehicle);
or
- b. Special Purpose Motor Vehicles as defined in Section 2.3 of the Incentive Guidelines;
or
- c. any vehicle that is designed specifically for the carriage of ten (10) or more persons.

As from 2018 (for costs incurred in 2017), irrespective of the above rule, the cost for the purchase of commercial vehicles having the latest European Emission Standard rating (currently Euro 6 (2014)) procured to replace similar vehicles shall be considered as eligible.

⁵ 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.

4.5 Ineligible Costs

Costs 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. Taxes (including vehicle registration tax).
- f. Vehicle accessories and upgrades.
- g. Vehicles that because of their nature can also be used for non-business (pleasure) activities⁶.
- h. Director's fees.
- i. Costs that are assisted (even partly) through other incentive measures.
- j. Spare-parts.
- k. Maintenance costs.
- l. Any individual invoice having a value of less than €200.
- m. Costs of rented or leased equipment.
- n. Furbishing costs carried out in home-based offices unless a permit identifying the premises as a business premises is presented.
- o. Subscriptions.
- p. Project Management fees.

4.6 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 may be utilised by the third year of assessment commencing from that specified on the Incentive Entitlement Certificate (For example for applications submitted in March 2016, the certificates will be issued in 2016, and the tax credit may be utilised from year of assessment 2016 until year of assessment 2018).
- c. With regards to start-ups, the tax credit must be utilised by the fifth year of assessment commencing from that specified on the Incentive Entitlement Certificate. (For example for applications submitted in November 2016, the certificates will be issued in 2017, and the tax credit may be utilised from year of assessment 2017 until year of assessment 2021).
- d. Any tax credits awarded under this incentive may not be utilised to settle any tax arrears or to rectify any errors identified by the relevant authorities in the tax return submitted to the Inland Revenue Department.
- e. The Inland Revenue Department shall have the right to refuse any tax credit awarded to undertakings defaulting on VAT, Income Tax, and Social Security payments.

⁶ A list of vehicles is included in the FAQs which may be downloaded by [clicking here](#).

- f. Tax credits are to be utilised against profit derived from the applicant's trade or business activity.
- g. The IEC is non-transferable and must be utilised by the legal entity to which it is issued.
- h. Applicants consent 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.
- i. 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.
- j. 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.

5. Application and Assignment of Aid

5.1 Application

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

Applicants should submit the official application, together with all the requested supporting documentation as outlined in the application form which may be downloaded from the Corporation's website.

Applicants are required to hold all the documentation related to their application in a separate file as shall be specified in the application provided by the Corporation. This file shall be made available to the Corporation or its appointed auditor on request. The beneficiary will keep the records for ten (10) years from the issuing of the IEC.

Applicants may submit one (1) application per calendar year.

Applications will be rejected if they:

- do not satisfy the requirements listed down within the Incentive Guidelines and Application Forms;
- are handwritten; and/or
- are Incomplete.

5.2 Onsite Inspections

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

- i. the investment has been implemented in line with the parameters set in these Guidelines;
and/or
- ii. the application and documentation submitted are consistent with the actual investment project.
and/or
- iii. to authenticate the information submitted in the application form against the actual original documentation held by the applicant beneficiary.

5.3 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.

5.4 Monitoring

The Corporation and the Inland Revenue Department reserve the right to review the documentation relating to any issued certificate and to carry out audits and verifications even after the entitlement certificate is issued and utilised.

The Corporation 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 national and/or European public entities;
- c. any breach of regulations on State Aid; and/or
- d. expenditure not directly related to the trade or business activity.

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)*⁷.

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 651/2014). 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 form⁸ 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. 104/2000⁹;
- 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.
- g. Intended for Voluntary Organisations

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

⁷ [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_379/l_37920061228en00050010.pdf]

⁸ The *de minimis* Aid Declaration may be downloaded from <http://www.maltaenterprise.com/en/support/docs/de-minimis-declaration>

⁹ 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).

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 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 **Micro Invest 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.

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).

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.

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