

Incentive Guidelines

Start-Up Finance



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 the Corporation by calling 144 or by email on info@businessfirst.com.mt.

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1. Introduction

1.1 Overview

The aim of this measure is to finance undertakings in their early stages of development through the provision of mezzanine finance to support Small Start-up Undertakings that demonstrate a viable business concept in the setting-up and initial growth phases.

The support shall be provided as a repayable grant linked to private investments of up to €200,000. In the case of Innovative or Knowledge Based Technology Start-ups, the repayable grant may be increased to €500,000 to cover the procurement of tangible assets. The Corporation shall expect the grant to be repaid over a period of ten years and shall charge an interest on any value outstanding at the end of each calendar year.

1.2 Duration of the Incentive

This incentive shall be available until the 31st October 2016.

The Corporation may periodically update and amend these Incentive Guidelines.

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.

Regulation 13 of the Assistance to Small and Medium-Sized Undertakings Regulations as subsidiary legislation 463.03 to the Malta Enterprise Act.

1.4 Designated Authority

This incentive is administered by the Malta Enterprise Corporation (here in after referred to as 'Corporation').

2. Definitions

For the purpose of these Incentive Guidelines, the following definition shall apply:

a) Small Start-up undertaking

A 'small start-up' undertaking shall be defined as an unlisted small undertaking that has been established for less than five (5) years and which has not yet distributed profits and has not formed through a merger¹. A start-up would not include any undertakings that close down and re-open. Undertakings controlled by owners of previously closed down businesses cannot be considered as a start-up undertaking 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.

A small start-up undertaking must employ less than fifty (50) Full Time Equivalent FTE employees and have a turnover or balance sheet total which does not exceed €10 million.

The audited accounts of the undertaking shall be used to determine whether the company actually distributed profits.

b) Start-up date

The start-up date of the limited liability company shall be determined as the date of registration with the Malta Financial Services Authority (MFSA).

c) Incentive Entitlement Certificate

"Incentive Entitlement Certificate" means a certificate issued in terms of Part VI of the Malta Enterprise Act and outlining the support granted and its terms and conditions.

d) Innovative Undertaking

'Innovative undertaking' means an undertaking:

- (a) that can demonstrate, by means of an evaluation carried out by an external expert that it will in the foreseeable future develop products, services or processes which are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure;

or

- (b) the research and development costs of which represent at least 10 % of its total operating costs in at least one (1) of the three (3) years preceding the granting of the aid or, in the case of a start-up undertaking without any financial history, in the audit of its current fiscal period, as certified by an external auditor.

¹

The audited accounts of the company shall be used to determine whether the company actually distributed profits.

e) Knowledge Based Technology Start-up

"Knowledge Based Technology Start-up" means a start-up requiring an initial investment in equipment and machinery and whose services and products are linked to the knowledge of a key promoter (or promoters) that have completed or are currently pursuing a doctoral degree.

f) Tangible Assets

"Tangible Assets" means assets consisting of land, buildings and plant, machinery and equipment.

3. Eligibility

3.1 Eligible Undertakings

The beneficiary must be a Small Start-up Undertaking registered as a limited liability company with the Malta Financial Services Authority (MFSA).

Small start-up undertakings shall be considered as eligible if:

- a) they are, or shall be engaged in one (1) or more of the following activities:
 - i. Manufacturing, including the Manufacture of Gas (NACE 35.21);
 - ii. Information Technology, Digital Media and Communications;
 - iii. Research, Development and technical Innovation;
 - iv. Biotechnology, Pharmaceuticals and Life Sciences.

or

- b) are proposing products and/or services that can be marketed and distributed internationally and which are typically more advanced than those prevailing in their respective industry, in terms of technology, know-how and skills.

3.2 Disqualifying criteria

Applicants will be disqualified if they:

- a) Have not honoured / rectified any obligations or conditions set by the Corporation with respect to previous granted support (if applicable).
- b) Are not within the State Aid parameters as outlined in Section 7 of this Incentive Guidelines.

3.3 Exclusions

The incentive does not apply to the following:²

- a) Undertakings that are subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal or incompatible with the internal market.³
- b) Undertakings that are subject to an outstanding recovery order following to irregular assistance as per any previous decision of the Corporation.⁴
- c) The shipbuilding sector.
- d) The energy sector which shall include:
 - i. Electric power generation, transmission and distribution (NACE 35.1);

² Vide par. 7.1 of Section 7 State Aid Rules and Obligations for further information regarding the exclusion of sectors from benefitting from assistance under this incentive.

³ These conditions apply at group level. Hence, any group company or company linked to the undertaking that should have reimbursed the aid shall be considered as ineligible.

⁴ These conditions apply at group level. Hence, any group company or company linked to the undertaking that should have reimbursed the aid shall be considered as ineligible. These conditions shall also apply if a person having effective control of the applicant / beneficiary had effective control of an undertaking that subject to a recovery as described.

- ii. Distribution of gaseous fuels through mains (NACE 35.22)
 - iii. Trade of gas through mains (NACE 35.23)
 - iv. Steam and air conditioning supply (NACE 35.3)
- e) The synthetic fibres sector.
- f) Activities linked to the primary production of agricultural products:
 - i. Products listed in Annex 1 of the EC Treaty.
 - ii. Products falling under CN codes 4502, 4503 and 4504 (cork products).
 - iii. Products intended to imitate or substitute milk and milk products as referred to in Council Regulation No 1234/2007 of 22 October 2007.

Yet it shall apply to the processing and marketing of agricultural products.
- g) Undertakings in difficulty⁵.
- h) Undertakings that are also engaged in any of the following activities shall also be disqualified:
 - i. real estate;
 - ii. gambling;
 - iii. financial services and/ or insurance; and
 - iv. Wholesale or retail trade of goods or services to which the eligible undertaking has not added value in the carrying out of his economic activity or that opened or are selling the products or services of the eligible undertaking.
- i) Voluntary organisations.

⁵ For the meaning of an 'undertaking in difficulty' vide Guidelines on State Aid for rescue and restructuring non-financial undertakings in difficulty, Official Journal C249, 31.7.2014.

4. Incentive Description

The scheme supports small start-up undertakings with a repayable grant which may be based on the parameters established below.

4.1 Support as co-investment linked to private equity

The Corporation may provide a repayable grant equivalent to the value of which may be established by considering the private equity held in the company. The support shall be provided on the basis of the parameters established below:

- a) When the grant is awarded, the total value of grants issued by the Corporation may not exceed the nominal value of paid up share capital held by private parties or €200,000 (whichever is the lowest).
- b) The Corporation shall provide the grant in a maximum of three (3) tranches. Each tranche may not exceed €100,000.
- c) Tranches may be requested within twenty four (24) months from the date the support is approved by the Corporation.
- d) Each tranche shall be in lieu of a review of the operations of the start-up undertaking. Such review is required to confirm adherence to the approved business plan and to approve any adjustments which may be warranted. When processing a tranche investment the Corporation may request:
 - i. updated management accounts;
 - ii. details of any additional investors;
 - iii. verification of the investments carried out;
 - iv. a pitch to be presented to the persons appointed to review the project; and/or
 - v. any other documentation which may be deemed necessary in order to ensure the correct use of public finances.

4.2 Support for the procurement of tangible assets

The Corporation may award a repayable grant which will enable the beneficiary to fund approved tangible assets. The tangible assets purchased by the beneficiary shall be considered as security against the repayment of the grant and hence cannot be used as collateral for any other financial instrument.

Any machinery or equipment supported through this incentive must be new.

4.3 Support linked to Crowdfunding

The Corporation may agree to match any amount pledged through a pre-approved crowdfunding campaign, up to a maximum of €50,000 per campaign. The funding may not exceed half the amount requested through the crowdfunding campaign and the support provided by the Corporation must be indicated in the crowdfunding campaign.

The total support under this provision shall be limited to €100,000 per start-up undertaking.

4.4. Interest and Redemption

The Corporation shall impose an annual simple interest rate calculated on the balance at the end of each year. The cumulative interest shall be calculated as a percentage over the European Central Bank's (ECB) base rate as per the table below:

Year	%
1 – 5	(ECB) base rate + 3%
6 – 7	(ECB) base rate + 4%
8 – 10	(ECB) base rate + 5%
10+	(ECB) base rate + 6%

On an annual basis, if the interest payable to the Corporation exceeds 50% of the total profits of the beneficiary for the year in review, the Corporation may approve that the value in excess of 50% of the total profits shall be added to the outstanding value of the repayable grant.

Beneficiaries shall be required to repay the awarded grant within ten (10) years. Yet, the Corporation may agree to extend the repayment period in-line with the performance of the supported undertaking.

4.5. Control

- a) The beneficiary shall confer to the Corporation the right to receive notice of and to attend as an observer any board or general meeting of the Undertaking.
- b) Any changes to the Memorandum and Articles (M&A) should be notified to the Corporation.
- c) The beneficiary shall submit to the Corporation its annual financial statements.
- d) The Corporation may at any time request a review of the operations of the beneficiary.

Failure to abide to the above and to any other condition established in the Incentive Entitlement Certificate may lead the Corporation to request the repayment of the grant with immediate effect.

5. Application Process

In order for a small start-up undertaking to be considered for support, the applicant shall be required to submit the following documentation within thirty (30) months from the start-up date:

- i. the application form filled in electronically with the relevant details; and
- ii. a Business Plan in line with the parameters set in Section 5.1 of these Incentive Guidelines.

The applicant will be required to deliver a presentation to the Corporation explaining the proposed operation and justifying the viability of the venture.

The complete application must be electronically filled in and submitted to Business First either by hand in a sealed envelope or by registered post. The application must be addressed to:

Malta Enterprise
Start-Up Finance
Gwardamangia Hill,
Pietà', MEC 0001
Malta.

Handwritten or incomplete applications shall be rejected.

5.1 Evaluation

Through the business plan, applicants will be required to address the following parameters.

- a) **Financially Feasible** – The project is financially sound.
- b) **Impact** - The expected impact that the project will have on the markets/industries in which the undertaking is active will be assessed. Consideration will be given to the potential future growth of the undertaking, potential cost efficiency and potential cost reductions which are expected as well as the degree of networking initiated through the project.
- c) **Job Creation** - The start-up undertaking will be assessed on its potential to create new employment. The nature and skills of this potential employment will also be taken into consideration.
- d) **Innovation** – The innovative nature of the project with regards to the potential to develop new products, processes and services will be assessed.
- e) **Knowledge**
 - The extent to which the proposed business is dependent on protected or unique knowledge available to the start-up undertaking.
 - The availability and access to the competencies to archive the operational targets of the proposed business.
- f) **Adoptability** - The potential of the start-up undertaking to adopt its business offering to address new markets and changing consumer expectations.
- g) **Business Maturity** - The applicant has identified the group of customers towards which their business has decided to aim its marketing efforts and ultimately its merchandise.

The channels utilised to target these customers need to also be identified and the applicant has already established contacts in the relevant market/s.

5.2 Adjudication

Applications will be processed on a first come first served basis until the budget allocated for this measure is fully utilised. Incomplete applications will be rejected.

Once a project is approved, an Incentive Entitlement Certificate will be issued.

6. General Provisions

6.1 Changes to Approved Assistance

Any modification to an approved project must be notified to the Corporation. A written request describing the proposed changes and including comprehensive arguments justifying the changes must be submitted. The Corporation will evaluate the proposed amendments and will inform the applicant in writing of the outcome pursuant to the evaluation. The outcome of such evaluation may lead to any of the following:

- a) A change in the amount of aid supported.
- b) A request for further information on the proposed changes.
- c) A recommendation to reconsider the proposed amendments.
- d) An approval of the proposed changes.
- e) A revocation or modification of the Incentive Entitlement Certificate.

6.2 Monitoring

Beneficiaries will be subject to monitoring and on site verification which may be carried out by the Corporation or by third parties commissioned by the Corporation so as to ensure that the project is being or was implemented according to:

- a) These Incentive Guidelines.
- b) The terms and conditions set in the Incentive Entitlement Certificate issued by the Corporation.
- c) Commission Regulation (EU) No 651/2014 of 17 June 2014.

6.3 Revocation of Aid

If an applicant is found to have breached the terms and conditions set in these Incentive Guidelines, the Regulation, the Letter of Approval or the Incentive Entitlement Certificate, the Corporation reserves the right to revoke, suspend or recover any aid awarded.

7 State Aid Rules and Obligations

7.1 Applicable State Aid

The terms and conditions set out in these Incentive Guidelines are in line with the [Commission Regulation \(EU\) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty](#).

The incentive shall not apply to:

- i. Activities listed down in Article 1 (2), (4) and (5) of Commission Regulation No 651/2014 of 17 June 2014.
- ii. Activities listed down in Article 1 (3) (b), (c), (d) and (e) of Commission Regulation No 651/2014 of 17 June 2014.
- iii. Undertakings in difficulty defined in terms of the Commission Regulation (EU) No 651/2014 of 17 June 2014. Such firms are excluded from benefiting from assistance under this incentive.

Furthermore assistance may not be granted if the aid is:

- i. related to export activities towards third countries or Member States, namely aid directly linked to quantities exported, to the establishment and operation of a distribution network or to the other current expenditure linked to export activity;
- ii. a contingent upon the use of domestic in preference to imported goods.
- iii. in favour of a beneficiary which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market should be excluded from the scope of this Regulation.

7.2 Rules on Cumulation of Aid

Rules on Cumulation of Aid shall be in line with Article 8 of the Commission Regulation (EU) No 651/2014 of 17th June 2014.

Aid granted under this incentive is not awarded on identifiable eligible costs and may be cumulated with any other State aid with identifiable eligible costs. Aid without identifiable eligible costs may be cumulated with any other State aid without identifiable eligible costs, up to the highest relevant total financing threshold fixed in the specific circumstances of each case by the applicable regulations or decisions adopted by the Commission.

8. 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: Malta Enterprise
Gwardamangia Hill,
Pieta`, MEC 0001
Malta.

Tel: 144

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

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

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