

Incentive Guidelines

Startup Advance



MALTAENTERPRISE

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<http://support.maltaenterprise.com>

Malta Enterprise staff may support 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. You may contact Malta Enterprise by calling 144 or by sending an email on info@businessfirst.com.mt



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1. Introduction

1.1 Duration of the Incentive

This incentive is designed to assist startup initiatives.

The final date for submitting applications shall be 30th October 2020.

No assistance shall be awarded through this measure after 31st December 2020.

The Corporation may periodically update and amend these Incentive Guidelines.

1.2 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.

Startup Advance Scheme Regulations, 2018 (S.L. 463.20) to the Malta Enterprise Act, Chapter 463 of the Laws of Malta, forms the national legal basis of this aid scheme.

1.3 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:

2.1 Small Start-up Undertaking

For the purpose of these Incentive Guidelines 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 fulfils all the following conditions:

- a) It has not taken over the activity of another enterprise;
- b) It has not yet distributed profits;
- c) It has not been formed through a merger. Enterprises formed through a merger between undertakings that are individually eligible for aid shall also be considered as eligible undertakings up to five years from the date of registration of the oldest enterprise participating in the merger.

For undertakings that are not subject to registration, the five (5) years eligibility period will be considered to start from the moment when the undertaking becomes liable to tax on income from its economic activity.

The main factors determining whether an undertaking is a Small Undertaking are:

1. **number of employees** which must be less than fifty (50) Full Time Equivalent (FTE) employees; and
2. a **turnover** or **balance sheet total** which does not exceed €10 million.

2.2 Establishment Date (Startup Date)

For undertakings that are subject to registration (such as a Limited Liability Companies) the Establishment Date shall be deemed to be the date of registration with the relevant authority. In respect to undertakings that are not subject to registration, the five (5) years eligibility period will be considered to start from the moment when the undertaking becomes liable to tax on income from its economic activity.

In line with the above the following shall be applicable:

- i. In the case of limited liability companies, the Establishment Date shall be determined as the date of registration in the European Union as a partnership en nom collectif, en commandite or a limited liability company or a similar set-up.
- ii. In the case of self-employed, the Establishment Date shall be determined as the date the person registered as a self-employed with Jobsplus.
- iii. In the case of registered partnerships, the Establishment Date shall be determined as the date an agreement is signed between the parties within the respective partnerships as duly registered in the European Union.

- iv. In the case of unregistered partnerships the earlier date in which any involved individual was registered as a self employed or any involved entity was duly set up as per applicable regulations. Unregistered partnership agreements have to be notarized.
- v. In the case of cooperatives, the Establishment Date shall be determined as the date of registration of the cooperative with the Co-operatives Board for evaluation.
- vi. In instance where an undertaking is partnered or linked to other undertakings the earlier date in which any of the related undertakings was established shall be considered as the Establishment Date.

2.3 Same Sector

For the purpose of these Incentive Guidelines the same sector is defined as any activity with the same two digits of the NACE Code classification.

2.4 Related Sector

For the purpose of these Incentive Guidelines a related sector is any activity within a value chain which is located directly upstream or downstream of the activities of an undertaking.

2.5 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.

2.6 Unlisted SME

"Unlisted SME" means an SME which is not listed on the official list of a stock exchange, except for alternative trading platforms.

3. Eligibility

In order to be eligible for assistance under this incentive, beneficiaries must fulfil the following criteria:

3.1 Legal Form

The beneficiary must be an economic undertaking established within the European Economic Community and with an operating base in Malta. An applicant is deemed to have an operating base in Malta if:

- a) it owns, leases, or has been given the right of use by a third party an adequate premises from where to conduct an eligible economic activity in the region of Malta

and

- b) employs at least two persons under a full time employment contract that is based in Malta and is liable to pay income tax in Malta.

3.2 Eligible Business Activities

In order to be considered for support the applicant's principle economic activity must be classified under any one of the following NACE Codes:

NACE	Activity
B	Mining and Quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply, sewerage, waste management and remediation activities
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and Insurance Activities
L	Real estate activities

M	Professional, scientific and technical activities
N	Administrative and support service activities
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other Service Activities

Furthermore the Corporation will only fund projects that primarily carry out one or more of the activities as described hereunder:

3.2.1 Manufacturing

The production, manufacture, improvement, assembly, preservation and processing of goods, materials, commodities, equipment, plant and machinery. The activity carried out should result in product(s) that are clearly distinct from the materials and components utilised.

3.2.2 Repair, overhaul or maintenance

The repair, overhaul or maintenance of:

- a) any water craft not covered by the definition of shipbuilding as provide for in the Framework on state aid for shipbuilding as published in the Official Journal C364 of 14.12.2011, p.9-13;
- b) aircraft;
- c) Industrial engines or electromechanical equipment.

3.2.3 Industrial Services

The provision of services requiring the operation of mechanical and/or electrical equipment, that are analogous and/or coincidental to manufacturing.

3.2.4 Information Technology

- a) Developing, writing, modifying, customising, testing of software applications, including: systems software; databases systems; and online solutions.
- b) Processing and analysis of digital/electronic data either to be published in the public domain or to address the needs of specific clients.
- c) The operation of mobile and electronic platforms that enable natural persons and business to interact or access information. This would include platforms that enable social interaction, electronic commerce, financial transactions and electronic payments.

3.2.5 Research and Development, and Innovation

The carrying out on continuous cycle activities focused on design, development, testing or technical analysis of products and/or processes.

3.2.6 Eco-innovation, waste treatment and environmental solutions

- a) Waste Treatment - the operation of physical, thermal, chemical or biological processes which change the characteristics of the waste in order to reduce the volume or the hazardous nature of waste so as to facilitate its handling or enhance recovery.
- b) The operation of "Eco-innovation" services and "Environmental Solutions" that significantly prevent, reduce or reverse the negative impacts of human activities on the environment. "Eco-innovation" shall mean an innovation resulting in significant and demonstrable progress towards the goal of sustainable development, through reducing impacts on the environment or achieving a more efficient and responsible use of resources.

3.2.7 Biotechnology

- a) The carrying out of research, development, quality assurance (including clinical trials and validation) and/or production of, products and services requiring the use of biotechnologies for their modification, synthesis or exploitation.
- b) The carrying out of research, development, validation and commercialisation (introducing a new product, service or production method to the market) of human tissue programmes (stem cells, tissue transplantation etc).
- c) The production, quality assurance and clinical validation of new medical devices based on research in life sciences.
- d) The development and application (including knowledge transfer) of research in life sciences within industry.

3.2.8 Pharmaceuticals

The carrying out of the following activities under a Good Manufacturing Practice certificate issued by the Medicines Authority in Malta that are engaged in one or more of the following:

- a) Formulation, development and/or manufacturing of pharmaceuticals licensed for use as medications.
- b) Preparation and packaging of pharmaceuticals licensed for use as medications.
- c) Logistics operations of pharmaceuticals, medical devices and related goods.

3.2.9 Creative Original Works

The carrying out on a continuous cycle activities focused on development and production of creative and original products such as, music, film, detail games design, and media products.

3.2.10 Technology Based Solutions

The engagement in economic activities through the development or adoption of innovative technology based solutions that aim to enhance the services available in the relevant sector.

3.3 Innovation

In order to be eligible, the applicant must be:

1. proposing products and/or services that have potential to be marketed and distributed internationally;

and

2. producing products and/or service which are new or substantially improved compared to the state of the art in the local industry.

3.4 Knowledge

The activities of the startup undertaking must be linked to the knowledge of the Key Promoter/s. It is expected that key persons engaged in the startup have the academic background required and/or hands on experience in the relevant sector.

3.5 Employment

The applicant undertaking must employ a minimum of two (2) Full-Time Employees at application stage.

3.6 State Aid Regulations

The applicant must adhere to the applicable State Aid regulations (vide Section 7).

3.7 Other Provisions

- 3.7.1 Small Start-up Undertakings will not be eligible for this incentive if the applicant is controlled by owners of an undertaking operative in the same or related sector that had closed down in the of twelve (12) months preceding their Establishment Date.
- 3.7.2 The single undertaking must not be benefitting concurrently from the B.Start Scheme administered by the Corporation.

4. Incentive Description

STARTUP Advance is intended to support small start-up undertakings that are in the process of consolidating a business operation that has demonstrated market potential and is deemed as economically feasible and innovative by the Corporation.

4.1 Applicable Aid Intensity

The Corporation may award a maximum grant of €100,000. The award is limited to €25,000 for any six months and shall only be granted if the beneficiary remains classified as a startup undertaking (as per Section 2.1 of the Incentive Guidelines) at the start of the relevant 6 month period.

The grant shall be disbursed at 3 months intervals. Each disbursement shall be calculated by multiplying €1500 to the total number of Full Time Employees who have been engaged with the beneficiary at least one (1) full month¹. The Corporation may discontinue or suspend the support if the beneficiary fails to satisfy the Corporation of its commitment to establish a sustainable business. Beneficiaries shall hence be required to submit to the Corporation periodic reports (at least once every 6 months) on the progress achieved highlighting any changes to the original plan.

If the undertaking fails without significant justification to provide the required periodic reports within a stipulated time, the Corporation shall not to issue the grant in relation to that period.

¹ Prior to issuing the quarterly payment, the Corporation will be verifying with Jobsplus the Employment List of the beneficiary.

5. Application Process

Undertakings seeking support through this support measure should submit to Malta Enterprise the relevant application duly completed. As part of the application process the Corporation may request the applicant to present a pitch to the persons appointed to review the project.

The final date for submitting applications shall be 30th October 2020.

5.1 Evaluation

Applications will be evaluated against the following criteria:

- a) **General Feasibility:** the applicant's business model is based on assumptions that are logical and support the viability of the proposed business.
- b) **Innovation:** The innovative nature of the project will be assessed in line with Section 3.3
- c) **Commercially Feasible:** The project has a potential to develop products and/or services that address a real gap in the market or that can offer a competitive advantage when compared with other alternatives in the market.
- d) **Financial Feasibility:** After considering investment and operational costs the undertaking should, based on any logical assumptions taken, be expected to start generating a return to the investors after a reasonable timeframe.
- e) **Technologically Feasible:** The project is based on sound technical concepts and uses technology to which the promoters have access.
- f) **Knowledge:** The promoters have (or have access to) the necessary knowledge and know-how required to take the project forward.
- g) **Target Clients:** The applicant has to identify its market and its business model, locally and internationally.

5.2 Notification of results

Successful applicants will be notified in writing of the outcome of their application. Once the support is approved, an IEC will be issued.

6. General Provisions

6.1 Changes to Approved Assistance

Any modification to an approved business plan should be notified to and be approved by the Corporation during the quarterly review. The Corporation shall reserve the right to re-evaluate the project on the basis of the proposed amendments and may, pursuant to the outcome of the evaluation, terminate further assistance.

6.2 Monitoring

Applicants will be subject to monitoring 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 On-Site Visits

Malta Enterprise may carry out or commission third parties to effect on-site checks during or after the implementation of the investment project. Such visits may entail the verification of the documentation related to the investment project and the confirmation of the works carried out.

6.4 Budget utilisation

The total budget for this scheme is € 3,000,000 per year and € 10,000,000 until 2020.

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 and no budgetary provision will be made for such applications.

6.5 Revocation of Aid

If an applicant is found to have breached the terms and conditions set in these Incentive Guidelines, the Regulation 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 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 (GBER)*, as amended by *Commission Regulation (EU) No 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs*.

The incentive is not applicable to the following:

- a. Activities listed down in Article 1 (2), (3), (4) and (5) of Commission Regulation No 651/2014 of 17 June 2014 (where applicable).
- b. 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. 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 granted by Malta illegal and incompatible with the internal market should be excluded from the scope of this Regulation.

7.2 Rules on Cumulation of Aid

Rule on cumulation of aid shall be in line with Article 8 of the Commission Regulation (EU) No 651/2014 of 17th June 2014.

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 Malta Enterprise 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>

Email: info@businessfirst.com.mt