

# Incentive Guidelines

## Business START



**MALTA**ENTERPRISE

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# 1. Introduction

## 1.1 Overview

Malta Enterprise, via Business START is offering a seed funding for start-ups. The measure is intended to support Small Start-up Undertakings that have a viable business concept and are in the early stage of its development. Initiatives that are deemed to be economically viable shall be supported through a grant of up to €25,000.

## 1.2 Duration of the Incentive

This incentive is a pilot measure and shall be available until 30th June 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 12 of the Assistance to Small and Medium-Sized Undertakings Regulations as subsidiary legislation 463.03 to the Malta Enterprise Act, Chapter 463 of the Laws of Malta, forms the national legal basis of this aid scheme.

## 1.4 Designated Authority

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

## 1.5 Budget

The total budget for this scheme is € 1million.

## 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 which has not yet distributed profits and has not formed through a merger. The term excludes any undertakings that close down and re-open, as well as undertakings controlled by owners of previously closed down businesses if the new undertaking is operative in the same or related sectors as that of the closed down firm. These restrictions apply for a period of twelve (12) months following such closure.

Undertakings controlled by owners of existing businesses cannot be considered as start-up undertakings if the new undertaking is operative in the same or related sector.

For eligible 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.

### b) **Establishment Date (Start-up Date)**

The Establishment Date shall be determined as follows:

- i. In the case limited liability companies, the Establishment Date shall be determined as the date of registration with the Malta Financial Services Authority (MFSA) as long as the undertaking was not operative under a different form before registering with the MFSA. The audit accounts of the company shall be used to determine whether the company actually distributed profits.
- ii. In the case of self-employed, the start-up date shall be determined as the date the person registered as a self-employed with the Employment and Training Corporation (ETC).

- iii. In the case of registered partnerships and unregistered partnerships, the Establishment Date shall be determined as the date an agreement is signed between the parties within the respective partnerships.
- iv. 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.

For eligible 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.

#### **d) 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.



## 3. Incentive Description

Business START is intended to support small start-up undertakings that are in the process of establishing and/or consolidating a business operation that has been deemed as economically feasible and innovative by the Corporation.

### 3.1 Applicable Aid Intensity and Maximum Support

The maximum value of aid that may be provided at this stage is a cash grant of up to €25,000 and support is limited to twelve (12) months.

- a) An initial installment of up to €10,000 shall be paid once the project is approved.
- b) Subsequent installments shall be paid quarterly after the Corporation reviews and endorses that the progress achieved is in line with the business plan as approved or as adjusted to adapt to market requirement. The maximum grant awarded through subsequent payments shall be capped at €600 per Full Time Employee engaged in the undertaking multiplied by the number of full months elapsed from previous payment.

## 4. Eligibility

### 4.1 Eligible Undertakings

Small Start-up Undertakings must be engaged in one (1) or more of the following activities:

- a) Manufacturing;
- b) Information Technology, Digital Media and Communications;
- c) Research, Development and technical Innovation;
- d) Biotechnology, Pharmaceuticals and Life Sciences; or
- e) Other start-up undertakings 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.

### 4.2 Exclusions

The incentive does not apply to the following:<sup>1</sup>

- a) The sectors excluded by the Commission Regulation (EU) No. 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 as specified in Section 7 of these Incentive Guidelines.
- b) Public Entities, such as Ministries, Departments, Entities, Authorities, Commissions, Foundations and similar organisations that carry out a public or regulatory function which does not involve the carrying out of an economic activity, whether or not such commercial undertakings carrying out exclusively an economic activity in direct competition with third parties and in which Government has a controlling interest.
- c) Undertakings that are also engaged in any of the following activities shall also be disqualified:
  - i. real estate;
  - ii. gambling (requiring an LGA licence to operate);
  - iii. financial services and/ or insurance;
  - 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.
- d) Voluntary organisations.

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<sup>1</sup> *Vide* Section 11 State Aid Rules and Obligations for further information regarding the exclusion of sectors from benefitting from assistance under this incentive.

## 5. Application Process

### 5.2 Application Requirements

Undertakings seeking support through this measure should submit to Business First the following documentation by not later than 30<sup>th</sup> June 2016 (noon):

- a. The application form, which can be downloaded from: <http://incentives.maltaenterprise.com>. and
- b. A business plan which should include a clear description of the proposed business venture, an analysis of the threats, strengths, weaknesses and opportunities and clear business model describing potential revenue streams and operational costs. A template document addressing the business plan requirements is available from the Corporation.

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

Malta Enterprise  
*Business START*  
Gwardamangia Hill,  
Pieta`, MEC 0001  
Malta.

Handwritten or incomplete applications shall be rejected.

### 5.3 Evaluation

Applications will be evaluated against the following criteria:

- a) **Commercially Feasible** –The project has a potential to develop products and/or services that address a real gap in the market.
- b) **Innovation** – The innovative nature of the project with regards to the potential to develop new products and/or services will be assessed.
- c) **Technologically Feasible** - The project is based on sound technical concepts and uses technology to which the promoters have access.
- d) **Knowledge** - The promoters have (or have access to) the necessary knowledge and know-how required to take the project forward.
- e) **Target Clients** - The applicant has to identify its market and its business model.
- f) **Feasibility** – the applicant’s business model is based on assumptions that are logical and support the viability of the proposed business.



#### 5.4 Notification of results

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

#### 5.5. Applications Assistance

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 email on [info@businessfirst.com.mt](mailto:info@businessfirst.com.mt).

## 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 carry out 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 € 1,000,000.

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.

### 6.6 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<sup>2</sup>.

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.
- 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. 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 Cumilation 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.

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<sup>2</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=EN>

## 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](mailto:info@businessfirst.com.mt)