



MALTAENTERPRISE

INCENTIVE GUIDELINES

Access to Finance (Soft Loan)

Issue Date: 9th September, 2021

Version: 1.0

<https://www.maltaenterprise.com/support>

1. Overview

^{1.1} This measure is designed to support undertakings accelerate plans in establishing new products or entering a new geographic market, addressing environmental concerns and digitise processes. Such undertakings may be supported through a soft loan covering part of the funding requirements of up to one million euro (1,000,000).

2. Am I eligible?

^{2.1} You are eligible to apply for the soft loan if you are registered as a limited liability company with the Malta Business Register and are engaged in a manufacturing or service activity. To be considered for support you must meet all the criteria established below:

- a) The applicant must not have any dues related to VAT, Income Tax, and Social Security.
- b) The applicant must not be engaged in activities specifically excluded under the *de minimis* Regulation (vide Section 8).
- c) The applicant must have at least one (1) full time employee registered with Jobsplus, who is resident and pays income tax in Malta.
- d) The applicant must not be subject to collective insolvency proceedings, nor fulfils the criteria under domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- e) In the case of large undertakings, the beneficiary shall be in a situation comparable to a credit rating of at least B.

3. The incentive.

^{3.1} An eligible undertaking may be supported through a soft loan to:

- a) facilitate a development or expansion project based on a business plan prepared in view of developing a new product or entering a new geographic market;
- b) address environmental issues such as water usage, water treatment, waste treatment, reduction and reuse;
- c) optimise business processes through digitalisation and advanced technologies;
- d) projects aimed to achieve a high level of sustainability.

^{3.2} Supported projects must have an implementation period which is not longer than eighteen (18) months.

^{3.3} The loan may cover up to seventy-five percent (75%) of costs related to the proposed project including the procurement of assets, wage costs, knowhow and other non-recurring costs.

^{3.4} The loan shall, by way of collateral, be secured by a special hypothec covering at least fifty percent (50%) of the loan amount.

^{3.5} The loan amount shall not exceed:

- a) One million euro (€1 million) (or five hundred thousand euro (€500,000) for undertakings performing road freight transport) and must be repaid over a five (5) year term.

- b) Five hundred thousand euro (€500,000) (or two hundred fifty thousand (€250,000) for undertakings performing road freight transport) and must be repaid over a ten (10) year term.
- 3.6 The Corporation shall charge a fixed interest rate which is not lower than 0.5% per annum and which shall be established after considering the project and the current European Central Bank reference rate.
- 3.7 The Corporation may also agree to a moratorium of not more than 24 months.
- 3.8 Loans issued in line with the above terms shall be considered to have a gross grant equivalent of two hundred thousand euro (€200,000) (or one hundred euro (€100,000) for undertakings performing road freight transport). If the loan is for less than the amounts indicated in Section 3.5 above, and/or is granted for a period of less than five years or ten years as applicable, the gross grant equivalent of that loan shall be calculated as a corresponding proportion of the relevant *de minimis* ceiling.
- 3.9 The amount not covered by the loan issued by the Corporation, must be financed through a loan issued through a commercial bank and/or through reserves of the undertaking (or other funds considered to be the undertaking's own funds) which shall be specifically allocated to the project and deposited with a Commercial Bank.
- 3.10 Drawdowns from the loan provided by the Corporation shall be effected *pari passu* with the drawdowns made for the loan issued through the Commercial Bank and/or the utilisation of the reserves of the undertaking specifically allocated to the project and deposited with a Commercial Bank.
- 3.11 The loan should be repayable within a period of five (5) years or ten (10) years as outlined in Section 3.5 above, and the Corporation may agree to a moratorium of not more than 24 months, as long as the repayment is still scheduled to be completed within the five (5) year or ten (10) year period as applicable.

4. Application process

- 4.1 Applications must be submitted prior to the commencement of the project. It is the undertaking's responsibility to provide details and comprehensive information in the application form to enable the Corporation to determine eligibility and evaluate the request for support.
- 4.2 The application form and other additional documentation required may be downloaded from the Corporation's website and must be submitted through the Corporation's client portal. First time applicants will be required to register on the client portal before they can submit their application.

In addition to the application, the following documents must be submitted:

- a. Business plan / Project Plan;
- b. Detail on how the portion not financed by Malta Enterprise shall be financed;
- c. Audited Accounts for the previous two years unless the undertaking has been established for less than 3 years;
- d. Audited consolidated accounts if available;
- e. Details of Directors and Shareholders – Provide details of every Director and Shareholder and a profile of every Director holding 20% or more control in the applicant Enterprise;
- f. A duly completed and signed *de minimis* declaration form;
- g. Applicant may be required to deliver a presentation to further explain their project and projections.

5. By when can I submit an application?

5.1 The applications shall be submitted to the Corporation by 31st October, 2023.

6. What happens after I apply?

6.1 Once you have submitted the application through the portal, the submission will be evaluated in line with the terms and conditions of these Incentive Guidelines. Each submission will be reviewed on its own merits and any support will be awarded at the sole discretion of the Corporation. In assigning aid under this incentive, the Corporation will examine the project's potential to provide a significant contribution to the Maltese economy by examining various criteria that will include:

- a) **Project Feasibility:** Is the project feasible and is it reasonably likely to remain feasible in the foreseeable future?
- b) **Employment:** Will the project generate employment in areas where the required human capital is available and will it offer job opportunities to qualified or highly skilled personnel? Are the required skills available? How long will it take for employees to acquire the required skills?
- c) **Impact:** Will the investment generate a positive impact on the productivity of other domestic companies through networking and clustering opportunities?
- d) **Track Record:** The applicant's reputation (is the undertaking backed by persons that provide the necessary knowledge expertise and experience?)
- e) **Technology:** Will the technology used and the associated technological know-how expand local capabilities, potentially providing access to technology to other local undertakings through technology transfer? Is the applicant familiar with the technology? Has the technology been proven?
- f) **Environmental consideration**

6.1.1. In conducting its evaluation, the Corporation may request further information and clarifications, beyond the information requested in the application, so as to determine whether the support should be awarded.

6.2 Awards

The outcome shall be communicated through a Letter of Approval (in line with Part VI Section 28 et seq. of the Malta Enterprise Act.) specifying the terms and conditions of the award.

6.2.1 If the additional funding required for the project is to be sourced from a Commercial Bank, the loan shall only be issued once the undertaking provides a sanction letter from a Bank recognised by the Corporation.

6.2.2 If the additional funding required for the project is to be sourced from internal funds, the undertaking must deposit the equivalent amount in a Bank account, prior to the loan being issued.

6.3 Monitoring

Beneficiaries will be monitored by the Corporation and other agencies entrusted by the Corporation. If a beneficiary fails to implement and maintain the supported investment and carry out the agreed actions as

specified in the Letter of Approval, the Corporation may revoke and/or recover all or part of the support granted.

6.3.1 The Corporation may request any documentation it deems relevant and conduct site visits at the applicant's place of business to ensure that the support loan is utilised in relation to the approved project and costs. On-site visits may be carried out during and 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.

6.3.2 Beneficiaries are requested to maintain records for ten (10) fiscal years from the date on which the last individual aid was granted under this scheme.

6.4 **Revocation and Suspension of Aid**

The Corporation may revoke or suspend an approval and may seek to recover funds with interest from the undertaking who was awarded the aid if any breach of the applicable regulations, these guidelines or the approval parameters is identified.

6.4.1 In terms of Part VII and Part VIII of the Malta Enterprise Act, Chapter 463 of the laws of Malta, the Corporation may revoke, amend or modify the Letter of Approval and apply penalties or request recovery of aid in the case of breach of these Guidelines or the conditions set down in the Letter of Approval issued by the Corporation and any relevant regulations.

7. State Aid Rules and Obligations

7.1 Applicable State Aid

7.1.1 If the submitted application is approved, the beneficiary will benefit from *de minimis* State Aid in line with 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), as amended by Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments.

7.1.2 Commission Regulation (EU) No 1407/2013 allows a 'single undertaking' to receive an aggregate maximum amount of *de minimis* aid of €200,000 under all *de minimis* aid measures, over a period of three consecutive fiscal years. This aggregate maximum amount threshold applies in principle to all economic sectors with the exception of a 'single undertaking' performing road freight transport for hire and reward for which a lower *de minimis* threshold of €100,000 under all *de minimis* schemes over any period of three fiscal years applies. The agriculture and fisheries sectors are subject to different thresholds and criteria. For the purpose of this scheme, the term 'single undertaking' shall be defined 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. 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.

7.1.3 This maximum threshold would include all State aid granted under this scheme and any other State aid measure granted under the *de minimis* rule, including that received from any entity other than Malta Enterprise Corporation. Any *de minimis* aid received in excess of the established threshold will have to be recovered, with interest from the undertaking receiving the aid.

7.1.4 The aid amount under this scheme shall be the gross grant equivalent as indicated in Section 3.8.

7.1.5 The *de minimis* declaration form¹ must be filled in and submitted together with the application form.

7.2 Applicability of the Aid

7.2.1 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. 104/2000²;
- 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;

¹ The *de minimis* Aid Declaration may be downloaded from <http://maltaenterprise.com/files/de-minimis-declaration-form-2021>

² 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).

- 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.

7.2.2 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.

7.3 Cumulation

7.3.1 *De minimis* aid granted in accordance with the *de minimis* Regulation may be cumulated with *de minimis* aid granted in accordance with Commission Regulation (EU) No 360/2012 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 laid down in Article 3(2) of the *de minimis* Regulation.

7.3.2 *De minimis* aid awarded under this 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 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.

8. Further Information

8.1 This measure shall be applicable until 31st December 2023. While the Corporation may periodically update and amend these Incentive Guidelines, the applicable Incentive Guidelines shall be those published when the request for assistance is received.

8.2 Access to Finance (Soft Loan) Regulation 2021, as a subsidiary legislation 463.42 to the Malta Enterprise Act in terms of Article 8 (3) (a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta forms the national legal basis of this aid scheme.

8.3 Useful Definitions

Applicant: An Applicant is an Undertaking that has submitted a complete application for support under this scheme to the Corporation.

Beneficiary: A Beneficiary is an Undertaking that is in possession of a Letter of Approval issued by the Corporation.

Corporation / Malta Enterprise: The terms The Corporation and Malta Enterprise shall mean Malta Enterprise Corporation as established by the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

Letter of Approval: A Letter of Approval is a document establishing the support granted to an undertaking and stipulating any terms and conditions deemed appropriate by the Corporation.

Bank: For the scope of this incentive, a 'bank' is understood to be a commercial bank or other financial institution licensed to provide loans to businesses in Malta.

Single Undertaking:

Single Undertaking includes all enterprises having at least one (1) of the following relationships with each other:

1. one (1) enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
2. one (1) enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
3. one (1) 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;
4. one (1) 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 (1) to (4) above through one or more other enterprises shall also be considered to be a single undertaking.

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 account³.

³ Commission Regulation (EU) No 1407/2013 of 18th December 2013, as amended.

9. Contacts

For guidance on the filling in of the application form kindly contact Business 1st on 144 during office hours.

Duly filled applications must be submitted to Malta Enterprise via the Corporation's Client Portal <https://clientportal.maltaenterprise.com/login>

www.maltaenterprise.com/support