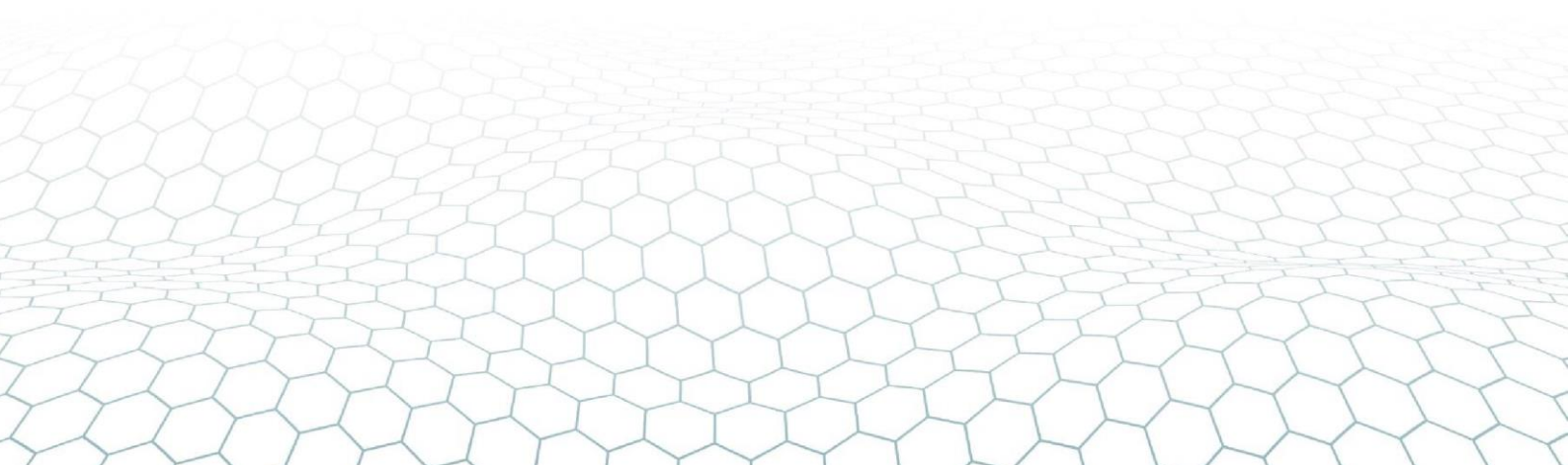





MALTAENTERPRISE

## **INCENTIVE GUIDELINES**

**Business Start 2021**





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<http://support.maltaenterprise.com>

Support and clarifications in relation to these guidelines may be obtained through Business First which may be contacted by calling 144 or by email on [info@businessfirst.com.mt](mailto:info@businessfirst.com.mt)



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# 1. Introduction

## 1.1 Overview

1.1.1 Business START offers seed and growth funding for small start-ups. The measure supports Small Start-up Undertakings that have a viable business concept throughout their development phase prior to seeking third party equity. Following an evaluation of the business concept, start-up ventures considered by Malta Enterprise as economical feasible may receive an initial grant of up to ten thousand euro (€10,000) to help them develop their business proposal. Start-ups that present a viable business plan may receive additional support linked to the number of persons engaged which may reach up to twenty-five thousand euro (€25,000) per quarter.

## 1.2 Duration of the Incentive

1.2.1 This incentive shall be available from 1<sup>st</sup> January 2021 until the 31<sup>st</sup> December 2023. The Corporation may periodically update and amend these Incentive Guidelines and may terminate the incentive at an earlier date. Any request for assistance shall be considered by applying the conditions established in the current Incentive Guidelines when the request for assistance is received.

## 1.3 Budget

1.3.1 This measure has a budget of ten million euro (€10,000,000).

## 1.4 Legal Basis

1.4.1 Malta Enterprise Corporation may issue and publish Incentive Guidelines in terms of Article 8 (3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta. The Assistance to Business Start 2021 Regulations as subsidiary legislation 463.37 to the Malta Enterprise Act form the specific legal basis for these Incentive Guidelines.

1.4.2 The terms and conditions covering this aid scheme shall be in line with Commission Regulation (EU) No 651/2014 of 17th June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, (OJ L 187/1, 26.6.2014) as amended by Commission Regulation (EU) 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 (OJ L 156/1, 20.6.2017), 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 (OJ L 215/3, 7.7.2020), and by Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 270/39, 29.7.2021), and as may be subsequently amended.

## 2. Definitions

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

### 2.1 Start-up Undertaking

2.1.1 A Start-up Undertaking shall be any unlisted small enterprise up to five years following its registration, which fulfils 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.

2.1.2 For eligible undertakings that are not subject to registration, the five-year eligibility period shall be considered to start from the moment when the enterprise either starts its economic activity or is liable to tax for its economic activity.

2.1.3 By way of derogation from point (c) of the first subparagraph, enterprises formed through a merger between undertakings eligible for aid under this measure shall also be considered eligible undertakings up to five years from the date of registration of the oldest enterprise participating in the merger.

2.1.4 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.

2.1.5 At the time of application, the 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 ten million euro (€10 million).

2.1.6 When an undertaking has a parent/subsidiary relationship with another undertaking all entities in such a relation must meet the above criteria for the undertaking to be considered a start-up undertaking.

### 2.2 Unlisted small enterprise

2.2.1 An unlisted small enterprise means a small undertaking not listed on an official stock exchange, except for alternative trading platforms.

## 3. Eligibility

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

### 3.1 Legal Form and ownership.

3.1.1 To be eligible, an applicant must be registered as a recognised business entity such as a self-employed, co-operative or limited liability company. The Corporation shall accept applications from businesses that have not been formally established yet however any support approved shall be made available after the applicant has been formally established.

3.1.2 Irrespective of its legal form a Small Start-up Undertaking will not be eligible for this incentive if the applicant is controlled by owners of:

- a) existing businesses or other undertakings that are operative or have interests that exceed 25% in other undertakings in the same or related sector. <sup>1</sup>
- b) an undertaking operative in the same or related sector that had closed down in the twelve (12) months preceding their Establishment Date.

### 3.2 Establishment Date

3.2.1 The Corporation shall only consider requests for support submitted within forty-eight months from the date of establishment of the **undertaking** requesting support. The applicant must still qualify as a Small Start-up Undertaking on the date the application is submitted.

### 3.3 Knowledge

3.3.1 The Corporation shall only consider applications where the activities of the start-up undertaking are linked to the knowledge and/or experience of the key persons. Thus the key persons engaged in the start-up must have the academic background required and/or hands on experience in the relevant sector.

### 3.4 Eligible Activities

3.4.1 In order to be eligible for assistance under this incentive, applicants must be engaged in the development of a venture which shall be engaged in:

- a) Manufacturing;
- b) Software development;
- c) Industrial services analogous to manufacturing;
- d) Health, Biotechnology, Pharmaceuticals and Life Sciences;
- e) Other innovative economic activities which are enabled through knowledge and technology providing services or products which are currently not readily available in the relevant market or which shall be provided through a process which is novel. Applicants submitting under this criteria will need to provide an opinion from a third party which is either qualified at doctoral level or equivalent in a relevant area or engaged in the top management of a business in a related area.

3.4.2 Pre-business plan support may also be awarded to entrepreneurs and/or researchers participating in joint initiatives as may be established by the Corporation and an academic institution for the development of innovative ideas that are expected to lead in new sustainable business start-ups.

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<sup>1</sup> This regulation shall also be applicable in instances where control is shared amongst a number of individuals or other undertakings that are or have interests in other undertaking operative in the same or related sector.

3.4.3 In order to be eligible for assistance under this incentive, applicants must fulfil at least one of the following criteria to be considered for Pre-Business Plan Support and two of the following criteria to be considered for Post- Business Plan Support:

- a) The proposed products and/or services have the potential to generate income from various geographical markets.
- b) The applicant produces or intends to produce products which are new or substantially improved compared to existing products on the market or provides or intends to provide services which are new or substantially improved compared to existing services on the market.
- c) The applicant shall utilise processes, which are new or substantially improved compared to those adopted in current complementary activities.

3.4.4 Applicants must be classified in activities which fall under the following NACE codes:

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
M	Professional, scientific and technical activities
N	Administrative and support service activities
P	Education
Q	Human health and social work activities
R.90	Creative, arts and entertainment activities
R.91	Libraries, archives, museums and other cultural activities
R.93	Sports activities and amusement and recreation activities
S	Other Service Activities

### 3.5 Disqualifying criteria

3.5.1 The incentive does not apply to Undertakings that are subject to an outstanding recovery order following a previous Commission decision declaring an aid granted by Malta illegal or incompatible with the internal market.<sup>2</sup>

3.5.2 Irrespective of the parameters established in these guidelines, Start-up undertakings must not be engaged in activities excluded from receiving this aid in terms of the applicable State Aid regulations (see Section 6 State Aid Rules and Obligations).

3.5.3 The Corporation shall disqualify any undertaking that generates income from:

- a) Real estate Activities (NACE L);
- b) Gambling (NACE R.92);
- c) 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.

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<sup>2</sup> 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. Incentive Description

4.0.1 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. The maximum value of aid that may be provided to an undertaking is capped at two hundred thousand euro (€200,000) which can be disbursed as follows:

### 4.1 Pre-Business Plan Support

4.1.1 An initial seed funding of up to ten thousand euro (€10,000) may be awarded to start-up undertakings that are still in their early development phase. Such start-ups would have a developed business concept which is not yet backed by a formal business plan.

4.1.2 The extent of support will be determined by the Corporation after taking into consideration the innovative elements of the proposed business and the vision of the promoters on how to further develop their business. The support awarded may be disbursed within six (6) months.

4.1.3 The Funding shall support the start-up to verify the business concept and to develop a comprehensive growth plan based on the business concept described in the application. The funding may be utilised to finance:

- a) Consultancy and other services required for product validation, desk and field research service, patent searches, data collection, prototyping, certification, market research and business planning;
- b) Access to digital platform providing software as a service solution, access to software development platforms, software licences and other similar costs;
- c) Rent of office space (including co-working space), industrial facilities, and other real estate as may be required for the Start-up activity (excluding any premise used for residential and/or accommodation purposes);
- d) Procurement or rental of machinery and tools;
- e) Access fees to research infrastructures and online research platforms;
- f) Materials and other similar costs.

4.1.3 The Funding shall also support a monthly subsistence of five hundred Euro (€500) if the Beneficiary maintains an employment of at least one full time employee<sup>3</sup> or two hundred and fifty Euro (€250) if the beneficiary is registered as a part-time self-employed and is only engaged as a part-time employee with one other employer.

4.1.4 All eligible costs must be incurred from providers that are not related to the beneficiary.

4.1.5 Following the approval of the project and once the aid offered is accepted by the Applicant, the Corporation shall advance up to four thousand euro (€4,000) to support the development of the start-up.

4.1.6 The Corporation shall advance a second tranche of up to four thousand euro four thousand euro (€4,000) once the Beneficiary submits:

- a) a feasibility study of the proposed business based on a template provided by the Corporation, that following a review by the Corporation is deemed to provide sufficient assurance that the proposed business is viable.
- b) evidence that at least seventy percent (70%) of the funds advanced in the previous tranches have been used to finance eligible expenditure..

4.1.7 A final disbursement in the form of a cash grant of up to two thousand euro (€2,000) will be issued if within six (6) months of the disbursement of the first tranche, the Beneficiary presents a

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<sup>3</sup> This fulltime monthly subsistence shall also be considered if the beneficiary is a fulltime self-employed person with not employees.



business plan which is deemed by the Corporation as relevant to the further development of the approved business. The grant will be disbursed once the Beneficiary provides proof of utilisation of funds were utilised to finance eligible costs. The value of the Grant may be adjusted against any unutilised funding advanced.

- 4.1.8 The Beneficiary shall provide proof of utilisation of funds advanced within six (6) months from such an advance and shall return any unutilised funding to the Corporation. Unless otherwise agreed to by the Corporation, any unutilised funding which is not returned within this period will be charged an interest of two percent (2%) per month.

## 4.2 Post- Business Plan Support

- 4.2.1 Eligible Start-ups that present a Business Plan that the Corporation finds economically viable, may be awarded a maximum grant of two hundred thousand euro (€200,000). The award is limited to twenty five thousand euro (€25,000) per quarter and shall be granted for a period not exceeding twenty-four (24) months.

- 4.2.2 The grant shall be disbursed at three (3) month intervals. The maximum amount for each disbursement shall be calculated by multiplying two thousand five hundred euro (€2,500) to the total number of Full Time Employees who have been engaged with the beneficiary for at least one (1) full month<sup>4</sup>.

- 4.2.3 Two (2) months after each disbursement the beneficiary shall compile and submit a ledger detailing the expenditure incurred in the development of the Start-up venture. The ledger should be supported with copies of fiscal invoices (or receipt) and evidence of payment. In carrying out its verifications the Corporation may require further documentation on claimed expenditure, such as invoices, receipts and transaction documents.

- 4.2.4 If the Corporation identified that the funds disbursed are not being utilised or that the expenditure does not reflect the scope of the support, the Corporation shall terminate the funding and may seek recovery of any misappropriate or unutilised funding. Any funds which are not returned within a six (6) month period will be charged an interest of two percent (2%) per month.

- 4.2.5 A Beneficiary shall be required to submit to the Corporation periodic reports covering six (6) month period on the progress achieved highlighting any changes to the original plan. Within twenty-four (24) months from establishment date and annually thereafter, the beneficiary is also required to submit a copy of the management accounts signed by a Certified Public Accountant. The Corporation shall discontinue or suspend the support if the beneficiary fails to submit these documents within three (3) months of the established deadlines, or fails to satisfy the Corporation of its commitment to establish a sustainable business.

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<sup>4</sup> Prior to issuing the quarterly payment, the Corporation will be verifying with Jobsplus the Employment List of the beneficiary.

## 5. Application Process

### 5.1 Application

- 5.1.1 Undertakings seeking support through this measure should submit to Malta Enterprise the relevant application duly completed.
- 5.1.2 Applicants for Pre Business Plan support should seek advice through the Centre for Entrepreneurship and Business Incubation (CEBI) at the University of Malta so that the readiness of their value proposition is mapped. Applicants who opt to submit an application prior to seeking a review from CEBI may still be requested to undertake this step during the evaluation process.
- 5.1.3 Applicants requesting Post Business Plan support will need to submit a business plan with their application.
- 5.1.4 Applications may be submitted through the Corporation's client portal which may be accessed from <https://clientportal.maltaenterprise.com/login>
- 5.1.5 Applications for assistance under these Guidelines must reach the Corporation by not later than the 31<sup>st</sup> October 2023.
- 5.1.6 Incomplete applications will be rejected.
- 5.1.7 The Corporation shall have the right to reject any application received.

### 5.2 Evaluation


- 5.2.1 The Corporation will only support start-ups that are deemed to be:
  - a) **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.
  - b) **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.
  - c) **Technologically Feasibility:** The project is based on sound technical concepts and uses technology to which the promoters have access.
- 5.2.2 Furthermore in approving any assistance, the Corporation shall consider the following aspects:
  - a) **Innovation:** How the proposed business stands out compared to competitors in the relevant market/s
  - b) **Market:** The applicant has identified a market and has clear strategies on how to penetrate that market.
  - c) **Process:** The applicant has presented a clear business model clearly defining processes, workflows and value chains both with the proposed start up and in relation to external stakeholders.
  - d) **Knowledge/know-how:** The promoters have (or have access to) the necessary knowledge and know-how required to take the project forward.

### 5.3 Adjudication

- 5.3.1 Once a project is approved, a Letter of Approval will be issued by the Corporation. This letter shall include any additional terms on the basis of which the Corporation approved the project.

### 5.4 Monitoring

- 5.4.1 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 in line with the parameters established in the Letter of Approval issued by the Corporation.

## 6. State Aid Rules and Obligations

### 6.1 Applicable State Aid

6.1.1 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, 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, and by Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, and as may be subsequently amended (hereafter referred to as the Commission Regulation).*

6.1.2 The incentive is not applicable to activities listed down in Article 1 (2), (3), (4) and (5) of the Commission Regulation (where applicable):

6.1.3 Furthermore assistance may not be granted if the aid is:

- a) 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.
- b) contingent upon the use of domestic in preference to imported goods.
- c) 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.

### 6.2. Aid Intensity

6.2.1 The total maximum support that start-up undertakings may be assisted with per undertaking under any Start-up Scheme, must not exceed the amounts laid down in Article 22 of the Commission Regulation.

### 6.3 Rules on Cumulation of Aid

6.3.1 Rules on Cumulation of Aid shall be in line with Article 8 of the Commission Regulation.

### 6.4 Transparency Obligations

6.4.1 For any individual aid awarded in excess of EUR 500,000 (or EUR 30,000 for beneficiaries active in the fishery and aquaculture sector), the details of the beneficiary, the aid awarded, and the project details shall be published as provided for in Article 9 of the Commission Regulation.

## 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 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>

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