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## Incentive Guidelines

Quality+  
(Tax Deductions)



**MALTA**ENTERPRISE

Issue Date: 17<sup>th</sup> January 2012

Version: 1.1

Updated: 14<sup>th</sup> March 2013

<http://support.maltaenterprise.com>



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# 1. Introduction

## 1.1 Scope

The Quality+ scheme has been established to encourage Small and Medium-sized Enterprises (SMEs) to continuously improve the quality of their products, services and processes. Malta Enterprise may approve tax deductions (a reduction of the income subject to tax) representing one hundred and fifty percent (150%) of the eligible expenditure incurred for achieving the required improvement. The fiscal support that will be available through this scheme should make it easier for businesses to carry out investments that lead to superior products, services of higher value or more efficient processes.

The objective of this incentive is to support undertakings in:

- a. implementing quality management procedures
- b. enhancing planning and performance;
- c. increasing customer satisfaction or
- d. improving efficiency of functions and processes.

## 1.2 Duration of the Incentive

This incentive will be available until the 31st December 2013, yet applications for the applicable fiscal benefit will be accepted by Malta Enterprise until the 31st March 2014.

Malta Enterprise 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 10 of the Assistance to Small and Medium-Sized Undertakings Regulations as subsidiary legislation 463.03 to the Malta Enterprise Act, mentioned in the previous paragraph, forms the national legal basis of this aid scheme.

## 1.4 Designated Authority

This incentive is administered by Malta Enterprise.

## 2. Eligibility

- a. This incentive is open to SMEs<sup>1</sup>, namely undertakings engaged in an economic activity that employ less than 250 employees and have either an annual turnover that does not exceed €50 million or a balance sheet total that does not exceed €43 million.
- b. For more information on the definition of an SME, please refer to the European Commission guidance at:  
[http://ec.europa.eu/enterprise/policies/sme/files/sme\\_definition/sme\\_user\\_guide\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf)
- c. Undertakings should be in possession of the applicable regulatory licences and permits.
- d. Retail outlets should have a valid trading licence issued by the Commerce Division.
- e. Bars, restaurants and hospitality activities should have a valid licence issued by the Malta Tourism Authority.
- f. Applicants / beneficiaries must not be defaulting on VAT, Income Tax, Social Security and rent payments to Government.
- g. Applicants / beneficiaries should not be in breach of any applicable regulatory requirement (as applicable).
- h. Persons or undertakings engaged in activities specifically excluded under the [de minimis regulations – To be confirmed through State Aid notification process] (vide Section 5) are not eligible for this incentive.
- i. Undertakings engaged in any of the following activities are not eligible for this incentive:
  - i. real estate;
  - ii. gambling;
  - iii. financial services and/ or insurance;
  - iv. the trading or manufacturing of arms and military equipment and related services.
- j. This incentive is intended to support undertakings that carry out a trade or business, hence it is not intended for voluntary organisations.

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<sup>1</sup> As defined by EC Recommendation 2003/361/EC

## 3. Incentive Description

### 3.1 Maximum Aid per Enterprise

The incentive will only be granted on approved projects and may cover a maximum of €20,000 in eligible costs.

### 3.2 Applicable Aid Intensity

Malta Enterprise may approve a tax deduction equivalent to 150% (over any normal statutory tax deductions).

Since tax deductions are subtracted from the eligible income before tax, the value of aid is calculated by multiplying the deducted value by applicable tax rate. However, as tax rates may vary depending on the applicant's income and status, the applicable aid intensity will be always estimated using the highest applicable tax rate under the Income Tax Act. Thus the aid intensity of any aid granted through this incentive will be equivalent to 52.5% of the eligible cost.<sup>2</sup>

### 3.3 Qualifying Costs

All costs must be incurred in the process of:

- a. achieving a recognised quality certification related to processes, products or services;
- b. achieving a recognised environmental certification;
- c. adopting of an operations manual and the acquisition of a franchise licence;
- d. a due diligence exercise leading to the acquisition of a licence required for participation in a value chain;
- e. acquiring a quality mark.

Malta Enterprise will publish a list of approved certifications and quality marks on the Corporation's web site. An enterprise seeking a certification, quality mark or licence which is not listed should send the applicable details to Malta Enterprise for consideration.

#### 3.3.1 Consultancy

Consultancy services leading to an approved certification, quality mark or licence, provided by a consultant or consultancy firm recognised by the respective certification body.

#### 3.3.2 Training and Training Materials

Training and training materials required to achieve the certification, quality mark or licence.

#### 3.3.3 Audit, Due Diligence or Verification Costs

The costs incurred for first time audits, due diligence or verification service conducted by a certified body required for achieving an approved certification or licence. Including the costs incurred from the institution granting the certification, quality mark or licence in relation to the issuing of the relevant documentation.

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<sup>2</sup> If the eligible project costs are €100 then the value of aid is equal to (€100 x 150%) multiplied by the maximum tax rate (35%). That is €100 x 150% x 35% = €52.50.

### 3.4 Ineligible Costs

Costs that are assisted (even partly) through other incentive measures do not qualify for aid under this incentive and only the costs listed in section 3.3 are considered eligible. It is hereby clarified that the following costs will not be considered as qualifying:

- a. wages, salaries, and another forms of employee remuneration;
- b. tax;
- c. costs related to maintain a certification, quality mark or licence;
- d. Services that are of a continuous or periodic nature or related the applicants operating costs (such as recurring fee and re-certification audits).

### 3.5 Additional Provisions

- a. All eligible costs should have been paid for by the beneficiary between 1st January 2011 and 31st December 2013.
- b. All services should have been rendered between 1st January 2011 and 31st December 2013.
- c. The total value, excluding VAT, of each single invoice claimed shall in no case be less than €200.
- d. An undertaking may submit one application per calendar year in relation to solely one eligible project.
- e. Applicants shall consent that data and information may be sourced from third parties by the Corporation in the process of assessing and implementing this incentive.
- f. Any penalties contemplated by the Income Tax Act shall apply in case of abuse of this incentive.
- g. The tax deduction may not be converted into any other form of aid and may not be used against any tax due.
- h. Any tax deductions awarded under this incentive shall not give rise to a right of any tax refund.
- i. Tax deduction shall be utilised against profit derived from the applicant's relevant trade or business activity only.
- j. Should the approved value of the tax deduction exceed the profit derived from the trade or business activity the balance may be carried forward as a tax deduction to subsequent years but must be utilised by year of assessment 2014.
- k. In the case where financial statements are in a currency other than Euro the relevant amounts should be converted to Euro using the middle rate of exchange as determined by the European Central Bank.

## 4. Application and Assignment of Aid

Malta Enterprise provides advisory services that can help in formulating and verifying plans prior to the submission of an application. Through these services, enterprises may typically benefit from 10 hours of free advisory.

### 4.1 Verification of Certification, Quality mark or Licence

Prior to commencing works an undertaking should consult the official website <http://support.maltaenterprise.com/quality> to verify that the sought certifications, licence or quality mark has been identified as eligible. If the certification, quality mark or licence is not listed, the undertaking should verify eligibility by submitting to Malta Enterprise:

- a. details of the certification, quality mark or licence and its applicability to economic development;
- b. details of the organisation granting the qualification or licence;
- c. details of any organisation assigned to conduct audits or similar actions required for achieving an approved certification or licence;
- d. a breakdown of the expected costs.

### 4.2 Application

After achieving an approved certification, quality mark or licence an undertaking wishing to benefit from the Quality+ incentive shall submit the official application to Malta Enterprise. The application may be downloaded from the official website <http://support.maltaenterprise.com/quality> and should include:

- a. a detailed curriculum vitae of any consultants that were contracted;
- b. a copy of the documentation showing that the applicant has been granted an approved certification, quality mark or licence;
- c. original Tax Invoices of all claimed expenses (as specified in the 12th Schedule of the VAT Act Chapter 406 of the Laws of Malta) and an original receipt, or an original Fiscal Receipt (as specified in the 13th Schedule of Chapter 406 of the VAT Act) together with a copy of the invoice. When foreign expenditure is incurred, the invoice and the original receipt shall be provided. Other proofs of payment such as the original bank statement/s and/or any other relevant original banking documentation may be requested, particularly in cases when a transaction is not in Euro.

#### 4.2.1 Approval

All applications should be in line with the parameters established by these Incentive Guidelines.


Once the application is deemed eligible, Malta Enterprise will evaluate the application and determine whether:

- a. the licence, quality mark or certificate attained provide the applicant with better opportunities for business development and growth;
- b. consultation services were provided by technically competent professionals; and
- c. claimed costs are justifiable.

After verifying the submitted documents, Malta Enterprise will issue an Incentive Entitlement Certificate that will enable the applicant to claim the applicable fiscal benefits.

To ensure that the Incentive Entitlement Certificate is issued in time, the project must be completed and all relevant documentation submitted to Malta Enterprise by not later than three months before





the relative tax return date of the year of assessment in which the applicant intends to start benefiting from the approved deductions.

Malta Enterprise and the Inland Revenue Department reserve the right to revoke the Incentive Entitlement Certificate and recover any tax incentive the applicant may have benefited from in terms of this guideline in the case of:

- a. double funding of the same costs from Malta Enterprise or other public entities;
- b. any breach of regulations on State Aid;
- c. any breach of these guidelines or the terms and conditions set in the Letter or Approval or the Incentive Entitlement Certificate.

## 5 State Aid Rules and Obligations

### 5.1 Applicable State Aid

These Incentive Guidelines are in line with Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L379 of 28.12.2006.

[[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l\\_379/l\\_37920061228en00050010.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_379/l_37920061228en00050010.pdf)]

In terms of this State Aid regulation, an enterprise may receive a total amount of aid up to €200,000 over a rolling three fiscal year period. This maximum threshold includes all de minimis aid granted to the beneficiary including that received from any entity other than Malta Enterprise.

The beneficiary will have to repay with interest any de minimis aid in excess of the €200,000 threshold.

#### 5.1.1 De minimis Aid

This incentive is governed by the de minimis regulations and therefore the incentive will not apply to the following:

- a. Aid granted to undertakings active in the fishery and aquaculture sectors as covered by Council Regulation (EC) No. 104/2000;
- b. Aid granted to undertakings active in the primary production of agricultural products as listed in Annex 1 to the Treaty;
- c. Aid granted to undertakings active in the processing and marketing of agricultural products as listed in Annex 1 to the Treaty, in the following cases:
  - i. when 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. when the aid is conditional on being partly or entirely passed on to primary producers;
- 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 granted to undertakings in difficulty.

### 5.2 Cumulation

Aid granted under this incentive may only be cumulated with other aid under any other incentive, or with other Community funding, in relation to the same item of expenditure as long as such cumulation does not exceed the gross aid intensity fixed by these Incentive Guidelines.

In terms of the de minimis regulation quoted above, assistance shall not be cumulated with State Aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding that fixed in the specific circumstances of each case by a block exemption regulation or decision adopted by the European Commission.



## 6. 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: +356 2542 2020

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

Email: [info@maltaenterprise.com](mailto:info@maltaenterprise.com)