

Incentive Guidelines  
LEAP2ENTERPRISE



MALTAENTERPRISE



Foundation for Social Welfare Services



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

Malta Enterprise Corporation together with the Foundation for Social Welfare Services (LEAP) and Jobsplus Corporation have partnered on this initiative to support vulnerable individuals and families in developing small sustainable businesses. The partners in this initiative will also be assisting those interested to understand the terms and conditions established in these Incentive Guidelines. Interested individuals will be assisted in understanding the details to the scheme and addressing any problems they might encounter during the application and implementation process.

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# 1. Introduction

## 1.1 Overview

LEAP2ENTERPRISE is a support initiative designed to assist vulnerable individuals in setting up their own sustainable, income-generating business activities. To implement this measure Malta Enterprise together with the Foundation for Social Welfare Services (LEAP) and Jobsplus Corporation (Jobsplus) will assist beneficiaries to set up their own business or develop an income-generating activity. Initiatives that are deemed to be economically viable shall be supported through a financial assistance package of up to €25,000 over a period of 24 months.

## 1.2 Duration of the Incentive

The scheme will assist a maximum of 10 beneficiaries. These incentives will remain active till the 31<sup>st</sup> December, 2018.

Malta Enterprise may review, update and amend these Incentive Guidelines as deemed appropriate.

## 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.

*Aid for Disadvantaged Persons to Commence Their Own Business Regulations* (L.N. 66 of 2018) forms the national legal basis of this aid scheme.

## 1.4 Designated Authority

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

## 1.5 Budget

This measure has an annual budget is of €250,000.

## 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:

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

### 2.2 Establishment of the Business

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.

### **2.3 Incentive Entitlement Certificate (IEC)**

"Incentive Entitlement Certificate" means a certificate issued in terms of Part VI of the Malta Enterprise Act, outlining the support granted and its terms and conditions.

### **2.4 Unlisted SME**

For the purpose of this Incentive Guideline, an "unlisted SME" is an SME which is not listed on the official list of a stock exchange, except for alternative trading platforms.

### **2.5 Undertaking in Difficulty**

For the purpose of this Incentive Guidelines, an "undertaking in difficulty" means an undertaking in respect of which at least one of the following circumstances occurs:

- (a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU (1) and 'share capital' includes, where relevant, any share premium.
- (b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.
- (c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- (d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.
- (e) In the case of an undertaking that is not an SME, where, for the past two years:
  - (1) the undertaking's book debt to equity ratio has been greater than 7,5 and
  - (2) the undertaking's EBITDA interest coverage ratio has been below 1,0.

### 3. Who is Eligible

- 3.1. This incentive is open to small start-up undertakings.
- 3.2. An undertaking may only be supported if the Project is approved prior to the establishment of the business. Hence persons that intend to receive support through this incentive should only register with the competent authority as per section 2.2 after receiving the Incentive Entitlement Certificate approving the Project from Malta Enterprise.
- 3.3. To receive support through this measure the undertaking must be owned and controlled by a person or persons:
  - i) registered as Special Cases within the Jobsplus Inclusive Employment Services DivisionOR
  - ii) Registered with LEAP under the follow parameters:
    - Persons leaving correctional facility or a rehabilitation centre
    - Persons in receipt of any of the following non-contributory benefit:
      - Unemployment Assistance: based on means testing and given to persons who are head of household and are registering on Part 1 of the Jobsplus register
      - Social Assistance: based on means testing and given to persons who are head of household and who have no or limited income and cannot work since they have to look after their children or because of medical reasons
      - Social Assistance: based on means testing and given to single unmarried parents who have no or limited income and cannot work since they have to look after their children
    - Carer's allowance
    - Disability allowance
- 3.4. The involvement of persons that are not included in any of the above (section 3.2) shall disqualify the applicant.
- 3.5. The involvement of persons entitled to the *Invalidity Pension* shall disqualify the applicant.
- 3.6. The benefits of this incentive are conditional that after the Project is approved the business is registered as any recognized form of undertaking (vide Section 2.2).
- 3.7. The purpose of the Project should be to carry out a profitable economic activity in Malta.
- 3.8. The Project can address various business activities unless excluded by State Aid Regulations (Vide Section 7).

## 4. How to Apply

- 4.1 To be considered eligible for support, an undertaking (whether a self employed or other form of enterprise) must consult with Jobsplus and LEAP who may also provide support with filling up of the application.
- 4.2 Following the initial screening a formal application would need to be submitted for consideration by a selection committee. Applications will be processed in the order received and (as long as the budget is not fully allocated) any projects that are considered to be eligible and considered viable shall be supported.
- 4.3 The selection committee will only consider projects that are eligible and will only accept a Project:
  - a) that is backed by a viable business case proposing products and/or services which are deemed commercially viable.
  - and
  - b) if the knowledge and skills required in the project are adequately addressed by the eligible individual (or group of individuals) proposing the Project.
- 4.4 Successful applicants will be notified in writing of the outcome of their application.
- 4.5 Once the support is approved, the beneficiary will be required to open a bank account. Following confirmation that the bank account has been opened, Malta Enterprise will issue the Incentive Entitlement Certificate awarding the support.



## 5. Support

- 5.1 Undertakings will receive support throughout the implementation of the project. LEAP will facilitate the undertaking to obtain the services of a certified accountant required to implement the project.
- 5.2 Jobsplus, LEAP and Malta Enterprise shall provide direct monitoring and business support to all beneficiaries to ensure that any difficulties are addressed in a timely manner so as to ensure business continuity.
- 5.3 An approved project may receive a maximum value of aid of €25,000 which may be provided as follows:
- 5.3.1 Funding shall be provided to cover the following:
- a) The acquisition or lease of machinery and equipment required for the business;
  - b) Costs incurred in upgrading or finishing the property the business is operating from;
  - c) The purchase of stock required to commence production or operations;
  - d) The purchase of consumables required for the business operation;
  - e) A monthly disbursement capped at €600 per month for a period of 24 months. This shall be provided to assist the business in addressing daily costs.
- 5.3.2 All financial support is conditional to confirmation that:
- a) the undertaking is still active;
  - b) is implementing a project in line with recommendations being provided by relevant professionals, Jobsplus, Malta Enterprise and LEAP;
  - c) has registered the self-employment/related employment with Jobsplus and
  - d) still operates an active bank account.

## 6. Implementation

- 6.1 Financial assistance in respect to costs listed under 5.3.1 (above) may be accessed by submitting a request to Malta Enterprise to directly settle invoices in excess of €200 (inclusive of VAT) issued by suppliers. Invoices and receipts should be addressed to the beneficiary.
- 6.2 Invoices which amount to less than €200 (inclusive of VAT) are not eligible for the scheme.
- 6.3 The Corporation shall consider as eligible only Fiscal Invoices (as specified in the 13th Schedule of Chapter 406 of the VAT Act) which include: -
  - a) the name and details of the supplier and beneficiary;
  - b) a clear description of the item to be purchased; and
  - c) the VAT numbers of both the suppliers and beneficiary.
- 6.4 Meetings and quarterly checks with beneficiaries will be held by LEAP, Jobsplus or Corporation officials who will monitor the progress of the venture and provide support in any bottlenecks encountered.
- 6.5 At any time Spot-checks may also be carried out by the Corporation in coordination with LEAP and Jobsplus.
- 6.6 Applicants will be subject to monitoring to ensure that the project is being or has been implemented according to:
  - a) Incentive Guidelines
  - b) approved business case
  - c) the terms and conditions set in the Incentive Entitlement Certificate issued by the Corporation
  - d) Commission Regulation (EU) No 651/2014 of 17 June 2014.
- 6.7 Any modification to an approved 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.
- 6.8 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](#) and [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 (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 favor 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 measure.

### 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.

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