

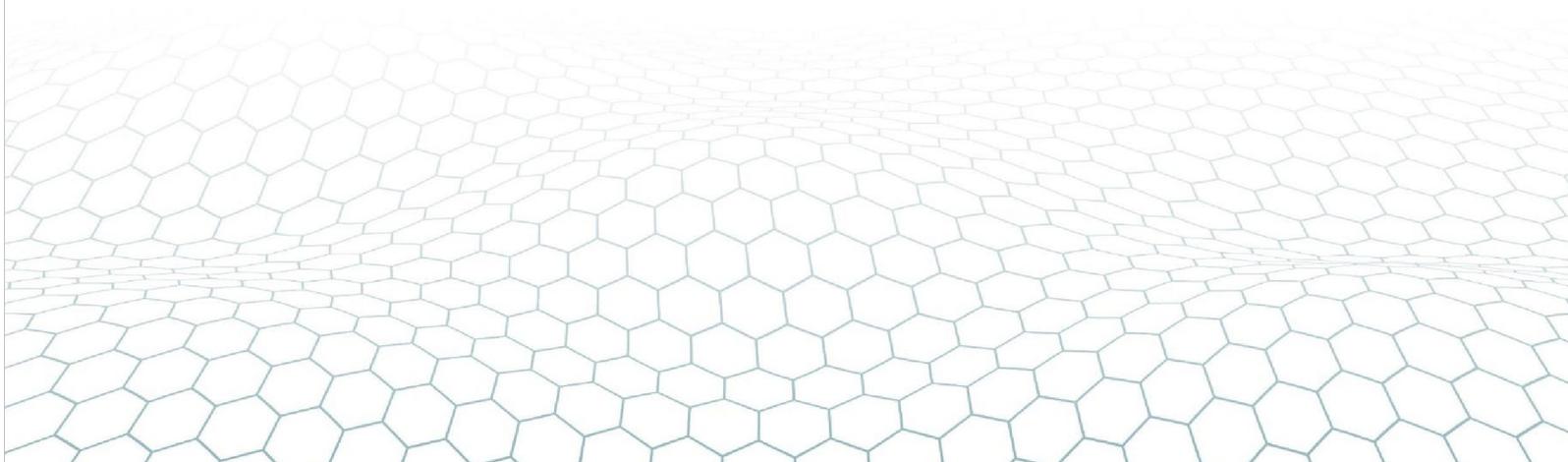


MALTA ENTERPRISE

# INCENTIVE GUIDELINES

## START- UP FINANCE

(Version 3.1)



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

Malta Enterprise provides support to 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. Applicants may contact the Corporation 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 The aim of this measure is to support Small Start-up Undertakings that demonstrate a viable business concept and that exhibit commitment to expand and further develop their economic activity.

1.1.2 Through this scheme, Malta Enterprise may provide support not exceeding four hundred thousand euro (€400,000) which may be increased to up to eight hundred thousand euro (€800,000) if the Start-up is an Innovative Enterprise. In principle the support shall be awarded as a repayable advance in accordance with the rules provided in these Incentive Guidelines.

## 1.2 Duration of the Incentive

1.2.1 This incentive shall be available until the 31st 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 Incentive Guidelines active when the request for assistance is received.

## 1.3 Budget

1.3.1 The overall budget for the scheme shall not exceed forty million euro (€40,000,000.).

## 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 Start-up Finance Regulations (subsidiary legislation 463.32 to the Malta Enterprise Act), as amended, 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), and 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 with 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 eligible undertakings 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 €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 enterprise which is not listed on the official list of a stock exchange, except for alternative trading platforms.

### 2.3 Innovative Enterprise

2.3.1 An Innovative Enterprise shall be an undertaking that:

- a) can demonstrate, by means of an evaluation carried out by an external expert that it will in the foreseeable future develop products, services or processes which are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure.  
  
or
- b) the research and development costs of which represent at least 10 % of its total operating costs in at least one of the three years preceding the granting of the aid or, in the case of a start-up enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor.

2.5

## 3. Eligibility

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

### 3.1 Legal Form

3.1.1 The beneficiary must be a limited liability company (or similar organisation having limited liability) established within the European Union and with an operating base in Malta.

### 3.2 Eligible Activities

3.2.1 Start-up undertakings shall be considered as eligible if they are, or shall be engaged in one (1) or more of the following activities:

- 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.

3.2.2 The Corporation shall only consider as eligible projects that meet at least two of the following criteria:

- a) propose products and/or services that have the potential to generate income from various geographical markets;
- b) produce products and/or services which are new or substantially improved compared to complementary products on the market;
- c) utilise processes which are new or substantially improved compared to those adopted in current complementary activities.

3.2.3 In addition to the above, 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) and must be engaged solely 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

### 3.3 Disqualifying criteria

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

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>

3.3.2 Undertakings that are also engaged in any of the following activities shall also be disqualified:

- a) Real estate (NACE L);
- b) Gambling (NACE R.92);
- c) Wholesale or retail trade of goods or services to which the eligible undertaking has no added value in the carrying out of his economic activity.

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<sup>1</sup> Vide par. 7.1 of Section 7 State Aid Rules and Obligations for further information regarding the exclusion of sectors from benefitting from assistance under this incentive.

<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. The Incentive

4.0.1 Malta Enterprise shall support Small Start-up Undertakings at various stages in their development process based on the milestones achieved and their vision for growth. Start-ups receiving funding should demonstrate innovative approaches of doing business and a vision to expand beyond the Maltese market.

4.0.2 Malta Enterprise may provide support not exceeding Four hundred thousand Euro (€400,000) which may be increased to up to Eight hundred thousand Euro (€800,000), if the Start-up is an Innovative Enterprise.

### 4.1 Support as co-investment in payroll costs

4.1.1 The Corporation may provide funding to cover up to:

- a) 75% of the wage costs of persons employed in Malta on a full time contract<sup>3</sup>.
- b) 100% of the wage cost of part-time employees who are registered as students with an academic institution based in Malta and are during that supported period reading for a masters, doctoral degree or equivalent qualification on a full-time basis

### 4.2 Support as co-investment linked to private equity and crowdfunding

4.2.1 The Corporation may agree to provide funding to match up to fifty percent (50%) of nominal value of future increase in equity or funds raised through crowdfunding campaigns. All such investment must be endorsed by the Corporation prior to the actual transaction. The funding may be provided to match at the approved percentage:

- a) the increase in equity invested by unrelated parties or an increase in equity by current shareholders that does not result in the Investor holding twenty-five percent of the shares or controlling interest of the start-up undertaking.
- b) an increase in equity (as long as the beneficiary still qualifies as Small Start-up Undertaking) through a related enterprise (holding twenty-five percent or more of the shares or controlling interest of the start-up undertaking) where funds would have originated from unrelated private institution investors (business angels, venture funds, crowdfunding platforms and similar investors).
- d) the funds raised through successful crowdfunding campaigns carried out on crowdfunding platforms as may be approved by the Corporation.

### 4.3 Support as Working Capital

4.3.1 The Corporation may provide funding as working capital to finance up to seventy-five percent (75%) of the costs identified at application stage, such funding shall be limit to €200,000 but may be increased to up to €400,000 if the Start-up is an Innovative Enterprise.

### 4.4 Support for the procurement of tangible and intangible assets

4.4.1 The Corporation may provide funding to cover up to 75% of the cost of machinery, equipment and intangible assets to carry out the start-up project.

4.4.2 The machinery and / or equipment purchased must be new or used in Malta for the first time by the beneficiary.

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<sup>3</sup> Persons working fulltime on reduced hour basis will be considered as full-time employees.

- 4.4.3 Support on intangible assets shall be limited to the procurement of patents, licences, know-how or other intellectual property from third parties unrelated to the buyer at market conditions. Such assets must be amortizable.
- 4.4.4 The eligible costs incurred on intangible assets shall be limited to seventy-five (75%) of the total investment.

#### **4.5. Premium and Redemption**

- 4.5.1 The Corporation shall impose an annual premium of two percent (2%) over the European Central Bank's (ECB) base rate as set on the beginning of the year in review. If ECB rate is below negative one percent (-1%), the premium shall be fixed at one percent (1%). The premium shall be calculated at the end of each calendar year by taking into consideration the amounts owed at the end of each month.
- 4.5.1(b) Exceptionally the Corporation may agree to a fixed premium which shall not be less than 3% of the total amount approved. In which case the premium shall be charged annually commencing from the date of the first disbursement of funds.
- 4.5.1(c) If the premium is not paid within eight (8) weeks from being communicated to the Beneficiary, it shall be included to the principle amount advanced to the Beneficiary.
- 4.5.2 Funds may be disbursed in tranches linked to milestones established in the Business Plan submitted by the Small Start-up Undertaking and also in pari-passu with eligible expenditure to be incurred by the beneficiary or as reimbursement of costs incurred.
- 4.5.3 Beneficiary shall enter into an agreement to repay any funds advanced and shall be required to pay a minimum of ten percent (10%) of pre-tax profits per annum until the disbursed funds are repaid. Where the Beneficiary is linked to one or more enterprises, the consolidated pre-tax profits shall be taken into consideration when calculating the minimum annual repayment. Such consolidation is required whether the linked enterprise is established in Malta or elsewhere and irrespective of the date of establishment of the linked enterprise.
- 4.5.4 After the tenth year from the final disbursement, the Corporation may enter negotiations with the Beneficiary to restructure any outstanding balance,

#### **4.6. Control**

- 4.6.1 Prior to disbursing any funds, the Corporation may request a review of the operations of the Start-up Undertaking so as to confirm adherence to the approved Business plan. In carrying out these reviews, the Corporation may request various documents including:
- a) updated management accounts;
  - b) audited financial statements;
  - c) details of any additional investors;
  - d) verification of the investments carried out;
  - e) any other documentation which may be deemed necessary in order to ensure the correct use of public finances.
- 4.6.2 The beneficiary shall confer to the Corporation the right to receive notice of and to attend as an observer at any board or general meeting of the Undertaking.
- 4.6.3 Any changes to the Memorandum and Articles (M&A) and in shareholding must be notified and approved by the Corporation.

- 4.6.4 The beneficiary shall at the request of the Corporation submit updated management accounts and latest audited financial statement.
- 4.6.5 The Beneficiary shall commit not to carry out any additional activities beyond those approved by the Corporation and shall consent that at any time the Corporation may request a review of the operations and finances of the beneficiary.
- 4.6.6 Failure to abide to the above and to any other condition established in these Guidelines, or any condition imposed by the Corporation in its approval, shall give right to the Corporation to request the repayment of the grant with immediate effect.

## 5. Application Process

### 5.1 Application

- 5.1.1 In order for a start-up undertaking to be considered for support, the applicant shall be required to submit the full application form within sixty (60) months from the date of registration<sup>4</sup> provided that at the time of granting the aid, the beneficiary complies with the eligibility conditions in Articles 22 and 8 of the General Block Exemption Regulation (See Section 6 State Aid Rules and Obligations). The applicant will be required to provide a full business plan and may be required to deliver a presentation to the Corporation explaining the proposed operation and justifying the viability of the venture.
- 5.1.2 Applicant should consider submitting an independent review of the proposed technological and economic aspects related to the proposed start-up venture. The review should highlight that the project is based on sound technological principles and address a market need.
- 5.1.3 Application must be submitted through the Corporation's client portal which may be accessed from <https://clientportal.maltaenterprise.com/login>

### 5.2 Evaluation

- 5.2.1 Applications will be reviewed on the following parameters.
- a) **Financially Feasible** – The project is financially sound.
  - b) **Impact** – The expected impact that the project will have on the markets/industries in which the undertaking is active will be assessed. Consideration will be given to the potential future growth of the undertaking, potential cost efficiency and potential cost reductions which are expected as well as the degree of networking initiated through the project.
  - c) **Job Creation** – The start-up undertaking will be assessed on its potential to create new knowledge based employment. The nature and skills of this potential employment will also be taken into consideration.
  - d) **Innovation** – The innovative nature of the project with regards to the potential to develop new products, processes and services will be assessed.
  - e) **Knowledge** - The extent to which the proposed business is dependent on protected or unique knowledge available to the start-up undertaking.
  - f) **Market** – The applicant has identified the group of customers towards which their business has decided to aim its marketing efforts and ultimately its products/services. The channels utilised to target these customers need to also be identified and the applicant has already established contacts in the relevant market/s.

### 5.3 Adjudication

- 5.3.1 The Corporation shall not accept any further applications after 31<sup>st</sup> October 2023.
- 5.3.2 Incomplete applications will be rejected.
- 5.3.3 The Corporation shall have the right to reject any application received.
- 5.3.4 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.

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<sup>4</sup> For undertakings that are not subject to registration with the Malta Business Registry the date of registering the first employee (including a self-employed person) will be taken as the date of registration.

- 5.3.5 The beneficiary will be required to grant the Corporation a general hypothec on all current and future assets of the undertaking globally.

## **5.4 Monitoring**

- 5.4.1 Beneficiaries will be subject to bi-annual monitoring reporting. This report needs to be returned to the Corporation within 30 calendar days from when it is requested. No further disbursements will be made unless the monitoring report has been submitted. In addition, at the end of each year, the start-up is requested to deliver a presentation of what was attained in the previous year and the plans for the year to come.

On site verification 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 according the parameters established on 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, as amended and as may be subsequently amended, hereafter referred to as the Commission Regulation.*

6.1.2 The incentive is not applicable to the 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 €500,000, 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 Business First during office hours.

Postal Address: Malta Enterprise  
Gwardamangia Hill,  
Pieta`, MEC 0001  
Malta.

Tel: 144

Websites: [www.maltaenterprise.com](http://www.maltaenterprise.com)

The official Incentive Guidelines are published at:

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

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