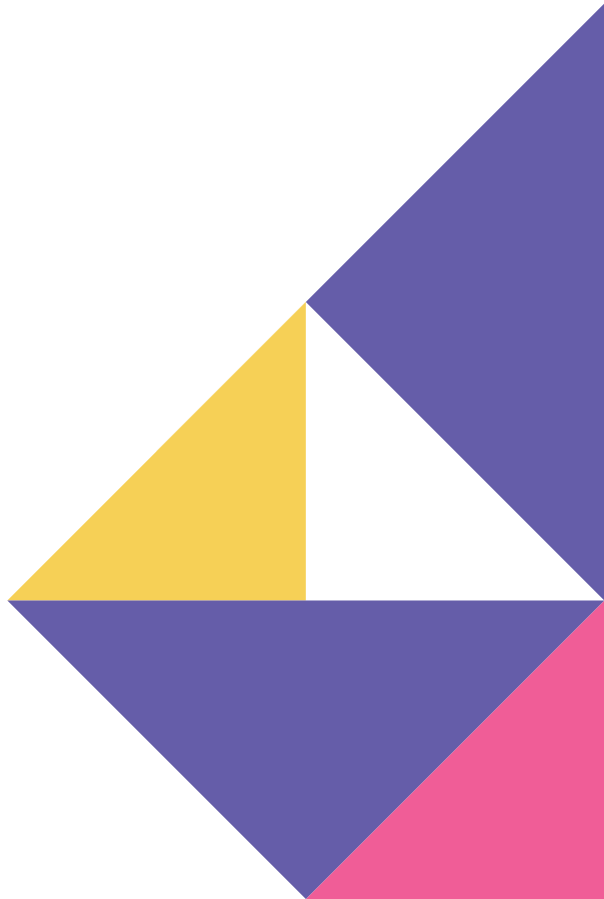




# Start-up Framework

## Stakeholder Consultation



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# 1. The Local Start-up Ecosystem

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Sustainable economic development and quality of life are central to the strategy of Malta Enterprise (ME). Economic growth and quality of life are not mutually exclusive of each other; intrinsically they are linked and central to achieving a higher level of prosperity.

During the past five years, Malta Enterprise has furthered its efforts to attract start-up operations in the country in connection with supporting the scaling-up of established ventures. In relation to start-ups, ME is focusing its incentives and services strategically to support local and foreign entrepreneurs in establishing highly innovative and disruptive operations in Malta. These companies enable new niches and provide fresh vigour to matured sectors.

In 2021 ME launched StartinMalta as the national start-up brand. Its attractive and informative website sets out the initiatives available. In the same year, it held the first Start-up Festival, bringing together innovative start-ups and scale-ups in Malta, as well as investors and other stakeholders in the start-up eco-system. It is now an annual event.

During the period 2020 to 2022, more than 60 projects were approved under the Start-Up Finance Scheme, one of the flagship measures that ME developed for start-ups/scale-ups. These companies employ a good number of people. But it is not just quantity that counts but quality too. The jobs are considered as being high end with significantly better salaries than the local average.

An analysis of projects approved by ME shows the employment generated is evenly spread between Maltese and foreign owned start-ups. This indicates that while the attraction of new foreign start-ups is important for driving development, the local eco-system is also playing its part in contributing to the creation of good quality jobs and new economic niches. Malta boasts of having both foreign and locally owned start-ups that are of high caliber, adding to the resilience of the local economy.

The niches in which these start-ups/scale-ups operate are diverse. They include cyber and data security, FinTech (incl. KYC/AML solutions), digital games, VR/AR, Metaverse, medical cannabis, BioTech, MedTech, EdTech, fertility, the green and blue economies and advanced manufacturing.

Start-ups should not be seen in isolation. They are essential for driving innovation. They support existing enterprises, even much larger ones, to adopt new processes to enhance competitiveness.

Undoubtedly, ME is shaping the economic development of the Maltese islands, working in collaboration with both public and private stakeholders.

## 2. Malta's Start-up Framework

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As part of the government's electoral programme (measure EMP 34), ME has been entrusted to develop and implement a Start-up Framework.

The objective is to provide administrative simplification and an ecosystem which is agile to the needs of operators, allowing them to get off the ground more easily, scale-up and be sustainable.

The Framework will seek to address different concepts related to administrative simplification in all areas.

To consolidate and accelerate further the positive results attained to date, it is important for Malta to provide an enhanced proposition. Through this Framework, the aim is to close the gap between what is needed in terms of legal and policy structure and what is currently in place. This will help ensure that Malta remains an attractive jurisdiction.

Other EU Member States are recalibrating their policies and support measures for attracting new start-ups, whilst ensuring the retention and scaling-up of those already present. The objective of Malta's Start-up Framework goes beyond competing with other jurisdictions to directing energy to an environment that is conducive to the creation, attraction and retention of innovative new businesses. This is crucial for Malta's sustainable economic development in the coming years.

## 3. Stakeholder Consultation - Objective

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The aim of the stakeholder consultation on the Start-up Framework is to engage with relevant players actively. The Framework should be applicable and relevant for the business environment in which start-ups operate; it must cater for the needs and expectations of the players that are operating daily within the innovative start-up world.

An open approach is being adopted as to the policies and the direction that this Framework should take. The stakeholder consultation will allow parties within the start-up eco-system to submit their policy ideas and highlight areas they believe need to be addressed to enable the attraction, creation and subsequent scaling-up of innovative start-ups. Stakeholders are invited to submit proposals and highlight any areas that should be addressed. These areas could extend beyond what is being presented in this document.

All the feedback received will be analysed and taken into consideration in developing the Start-up Framework. The areas of intervention may evolve further based on the feedback. Ultimately, any policies developed will need to adhere to EU regulations.

## 4. Start-up Definition

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Globally, no single definition exists as to what constitutes a start-up. This makes it difficult to assess and compare policies and eco-system indicators related to start-ups.

Clearly, there is a need for an international definition. Having in place a robust definition as to what constitutes a start-up will be of paramount help in identifying the audience that will benefit from the policies and measures developed. As part of this consultation, possible formulations that could be used to determine most accurately what defines a start-up will be sought.

## 5. Proposed Areas of Intervention

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Given the objective of the Start-up Framework is to address administrative simplification, four primary areas will be addressed:

- Equity Simplification
- Fiscal Environment
- Human Capital
- Other Areas of Simplification

### 5.1. Equity Simplification

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#### Business Exit, Mergers and Acquisitions

Setting in place an improved legal and fiscal framework to enable founders and co-founders to sell/exit their start-up. This will be accompanied by a reasonable tax regime that encourages Mergers and Acquisitions (M&As) and locations of substance in Malta.

#### Share Awards and Options

Developing a more attractive tax regime for share awards and stock options in start-ups.

#### Business Angel and Investors (institutional and retail)

Developing tax measures to direct investment towards start-ups, especially at an early stage. This will serve to encourage more investment in non-traditional assets.

## 5.2. Fiscal Environment

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### Tax Incentive for founders, co-founders and employees

Creating fiscal regimes for start-up founders, co-founders and their employees when they invest in the start-up they are employed by.

### Research and Development

Considering how present Research and Development (R&D) schemes could assist start-ups at different points in their journey. Schemes administered locally may need to be repositioned to increase their effectiveness for this cohort of business.

Developing incentives that target students and start-ups to collaborate further on research projects, including support for students working on dissertations and PhDs (including Post-Doctorates) that address research topics of interest to particular start-ups. Research Support Officers will also be targeted.

### Engagement with apprentices and interns

Supporting start-ups to engage actively with interns and apprentices.

### Government tenders

Encouraging participation by start-ups in Government contracts. At present this is on the low side. There is a need to develop measures that support bids from start-ups, either on their own or as part of established consortia.

## 5.3. Human Capital

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### Malta Start-up Residence Programme

Enhancing the programme accessible to non-EU start-ups – founders, co-founders, core employees and their families. Although this programme is already operational, (<https://startinmalta.com/startup-residence/>) suggestions as to how it could be improved are welcome. Once again, the focus of this programme is not on quantity, but rather attracting high quality individuals who would add value to Malta's economic landscape.

Feedback on other initiatives that have been launched already is also welcome.

### Personal Tax of Highly Qualified Persons

Updating tax regulations in order to meet current needs.

### Students and new Graduates

Working closely with the relevant stakeholders for a bolstered student visa that attracts students and helps enable their retention on graduation. Specific attention will be given to facilitating the recruitment of graduates.

## 5.4. Other Areas of Simplification

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### Setting up and running of start-ups

Exploring different routes for start-ups setting up in Malta. This will relate to process as well as to the fees incurred. It will explore the requirements faced by start-ups during their first years of operation in Malta.

### Start-up Centre

Designating a focal point for start-ups. The coordinated centre, managed by ME, will deliver timely feedback to queries being raised by start-ups and monitor local and foreign policies which might support start-ups operating from Malta. This is in line with the Government Budget 2023 announcement and recommendations of the European Start-up Nations Alliance (ESNA).

### Events related to the start-up eco-system

Developing and publishing a calendar that showcases all events in Malta related to start-ups and encouraging an international Malta brand when participating in events abroad. More collaboration and synergies between different local entities is required in this respect.

### Academic Institutions

Working closely with academic institutions to gear them more towards encouraging students with good ideas to consider start-up businesses. This could entail capital investment and incentives.

### Accelerator programmes

Focusing on attracting additional valuable accelerator programmes in strategic areas. This will build on the success of the first accelerator programmes with Plug and Play and the SuperCharger Ventures. These programmes will target accelerating the growth of start-ups already established in Malta and attracting new ones.

### Fail fast and restart route

Developing a framework that enables fail fast and, at the same time, promotes a fast restart route.

## 6. Conclusion

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This document aims to provide insights as to how Malta's start-up eco-system can to be made more attractive to local and foreign entrepreneurs.

The feedback received will be analysed and incorporated in this important strategic milestone that ME is undertaking.

It is opportune for all stakeholders to share their views as to what is required for Malta to accelerate its reputation as a leading international hub for innovative start-ups. Stakeholders are encouraged to go beyond what is presented in this document and explore and develop other areas.

ME, is the lead on this policy. Over the years, it has led the direction of Malta's economic development by targeting Foreign Direct Investment (FDI) and working to create a prosperous and efficient business environment. This has also contributed to improving Malta's social fabric through the number of jobs created.

Through the Start-up Framework, ME is seeking to develop the right business environment to increase Malta's competitiveness and attractiveness, through targeting and growing new economic niches. This strategy will contribute actively to the direction of the country's economic and social development in the years to come.

Comments or feedback can be sent by email on [research@maltaenterprise.com](mailto:research@maltaenterprise.com) by 15th December 2023.