



Incentive Development Unit

MALTA ENTERPRISE ACT

INCENTIVE GUIDELINES

Thematic: Investment Aid

Regulation: Investment Aid Regulations (2008)

Title of Incentive:	Gozo Regeneration -Investment Aid Grant Scheme
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Issue Date: 1st January 2008

Version: 1.0

Issued by Incentive Development Unit

www.maltaenterprise.com

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1. Introduction

1.1 Scope and Background

Gozo offers good potential for economic growth but business operations need to face a number of handicaps as a result of its double insularity. Gozo does not have any direct commercial maritime or aviation links to international locations.

This initiative seeks to address current unemployment levels by offering conversion of investment tax credits into other form of aid (cash grants) to investors that create new jobs after 1st January, 2007

1.2 Duration of the incentive.

This scheme is available till 31st December 2010 (may be reviewed after this date).

1.3 Legal Basis

Malta Enterprise may design support measures on regional development (investment aid) on the basis of the Malta Enterprise Act, Chapter 463 of the Laws of Malta. The Investment Aid Regulations (2008) deal with the parameters of aid provided by this scheme.

1.4 Designated Authority

This incentive is administered by Malta Enterprise Corporation in conjunction with the Employment and Training Corporation (ETC).

2. Eligibility

2.1 Eligible Activities

This scheme is available to all companies eligible for investment aid in terms of the Investment Aid Regulations (2008) or in terms of Regulation 5 of the Business Promotion Act, Chapter 325 of the Laws of Malta (BPA). Cash grants under this specific scheme will become available after the undertaking engages at least 5 new workers (excluding mere replacements within the same period) as from the 1st January 2007.

(N.B. The related ETC scheme for disadvantaged & disabled workers may apply as from the first worker engaged. However, eligible companies cannot benefit twice for the same employee).

3. Incentive Description

3.1 *Actions and eligible costs under this incentive and the applicable aid intensity.*

Malta Enterprise may provide cash grants to Gozo based undertakings eligible for investment aid under the BPA or under the Investment Aid Regulations (2008). This incentive provides the facility to convert investment aid tax credits into cash grants of up to Euro5,800 *per annum* per full time equivalent for a period of twenty-four months for each of the new jobs created to persons ordinarily resident in Gozo.

In any case, the cash conversion may never exceed Euro5,800 per annum per job or:

- 30% of the individual wage bill in case of larger undertakings
- 40% of the individual wage bill in case of medium sized undertakings
- 50% of the individual wage bill in case of small undertakings

Note: Jobs assisted under this scheme cannot be simultaneously assisted under the related 'Employment Aid Scheme' managed by the ETC.

The grants will be allowed on new jobs created after 1st January 2007 but will not cover jobs that constitute mere replacements. Jobs created by small and medium-sized enterprises (SMEs) will need to be retained for at least 3 years whilst jobs created by large companies need to be retained for 5 years. Should any assisted job be terminated, it may be replaced within a period of six months.

4. Evaluation and Assignment of Aid

Aid under this incentive is subject to pre-approval, available budgets and is allocated at the sole discretion of Malta Enterprise.

Applications may be made by simple letter stating full details of the employees, position, annual wages, date of engagement and whether or not the employee is a direct replacement of a job that has terminated.

The applicant needs to state that the employees under consideration were not previously employed with an undertaking which is linked with the applicant through common shareholding exceeding 25%.

5. Further Information

Malta Enterprise collaborates with the ETC to manage a related scheme aimed at job creation. This scheme assists Gozo-based enterprises to engage unemployed persons that fall within the categories of 'Disadvantaged or Disabled' workers as defined in Commission Regulation No 2204/2002 of 12 December 2002 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment (Official Journal L 337 13.12.2002, pages 3-14).

Disadvantaged Worker

A person is deemed to fall within the category of disadvantaged workers if that person has difficulty in entering the labour market without assistance, and that is, if that person falls under any of the following definitions:

- (i) any person who is under 25 or is within two years after completing full-time education and who has not previously obtained his or her first regular paid employment;
- (ii) any person who wishes to enter or to re-enter working life and who has been absent both from work and from education for at least two years, and particularly any person who gave up work on account of the difficulty of reconciling his or her working life and family life;
- (iii) any person living as a single adult looking after a child or children;
- (iv) any person who has not attained an upper secondary educational qualification or its equivalent, who does not have a job or who is losing his or her job;
- (v) any person older than 50, who does not have a job or who is losing his or her job;
- (vi) any long-term unemployed person, i.e. any person who has been unemployed for 12 of the previous 16 months, or six of the previous eight months in the case of persons under 25;
- (vii) any person recognised to be or to have been an addict in accordance with national law;
- (viii) any person who has not obtained his or her first regular paid employment since beginning a period of imprisonment or other penal measure.

Disabled Worker

A disabled worker means any person either:

- (i) recognised as disabled under national law; or
- (ii) having a recognised, serious, physical, mental or psychological impairment.

6 State Aid Rules and Obligations

6.1 Applicable State Aid

This incentive does not give rise to a new entitlement of aid but merely constitutes a conversion of investment aid into cash grants. Conversion of investment aid into various forms of aid is allowed under the Guidelines on National Regional Aid for 2007 – 2013 (2006/C 54/08) in terms of article 37 which permits various forms of investment aid.

6.2 Cumulation

Aid granted under this incentive may only be cumulated with other aid under any other incentive(s), 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 this Guideline.

6.3 Retention of jobs under the Incentive

All jobs created and supported must be maintained for a period of at least 3 years in the case of SMEs or 5 years in the case of large companies. Any assisted jobs that are lost must be replaced within a period of six months.

7. Contact Details

Further information on the scheme, as well as information and guidance on the filling in of the application forms may be obtained by contacting Malta Enterprise during office hours.

Postal Address:

Malta Enterprise
Gozo Office
Xewkija Industrial Estate
Xewkija

Tel: +356 2156 4700

Fax: +356 2542 3401

Websites: www.maltaenterprise.com

Email: gozo.office@maltaenterprise.com

customer.relations@maltaenterprise.com

Annex 1 – Application Process

1. Enterprises should download the relevant 'Instructions to Applicants' and/or Application forms from the Malta Enterprise website: incentives.maltaenterprise.com.
2. Scheme administered through competitive calls
 - a. Incentives managed through a competitive call are based on a fixed budget and timeframe. Requests for assistance through these incentives will be evaluated and ranked. Once ranked, the top ranking applicants will be offered support through these incentives.
 - b. When an incentive is managed through a competitive call, Malta Enterprise will publish the call text in the local press. The call will be closed after circa 6 weeks from the first date of publication of the call text. Enterprises will be required to submit the relevant application form(s) and any other required documentation within this period. The call will also provide details on:
 - i. how to obtain application forms;
 - ii. how questions and queries related to the call can be addressed;
 - iii. any support available to sustain enterprises in compiling the required data.
 - c. Application forms for competitive calls must be deposited in the tender box bearing the name of the incentive.

3. Other Schemes

The complete application as describe in the 'Instructions to Applicants' document must be submitted to Malta Enterprise either by hand in a sealed envelope or through registered post. The application should be addressed to:

Relationship Management
Malta Enterprise
Enterprise Centre,
Industrial Estate,
San Gwann SGN 3000

4. It is recommended that potential applicants contact Malta Enterprise prior to submitting their application. Malta enterprise staff will support prospective applicants:
 - to understand the objectives of the incentive;
 - by explaining details relevant to this guideline document;
 - to address an problems they might encounter when completing their application.

Annex 2 – Claims

1. Any claims for co-funding must be based on the reimbursement of eligible costs.
2. All undertaking shall be expected to submit claims in line with the terms of the Incentive Entitlement Certificate.
3. Once the incentive is approved, claims for reimbursement shall be submitted at intervals as stipulated in the Incentive Entitlement Certificate.
4. All claims must be made on the claim form which will be made available by Malta Enterprise
5. A claim made for reimbursement must be accompanied by the following information:
 - a. An original VAT invoice and a receipt (an original fiscal receipt unless a VAT invoice is presented together with a copy of the invoice);
 - b. Proof of payment of the invoice. (In the case of foreign payments the original proof of payment is required);
 - c. Copies of the encashed cheques or original bank advice documents showing all payments effected in relation to the claimed costs.
 - d. Where applicable written justification covering claims related to services / products where supplier / provider is different to that indicated in the application form;
 - e. Supporting documentation such as studies (where applicable);
 - f. In the case of Personnel costs (where applicable) the enterprises must back these claims through the official Final Settlement System FSS forms and time sheets where applicable.
6. Any reports (technical or otherwise) submitted to substantiate the claim should be cleared for confidentiality with any third parties before submission to Malta Enterprise.
7. Claims should be presented as net of VAT since VAT is not eligible for co-financing.
8. Payments will only be issued after invoices, reports and any other requested documentation is submitted to and approved by Malta Enterprise.
9. If the final eligible expenditure accounted for is less than the eligible costs budgeted for, the amount to be co-financed will be reduced pro rata and will be in line with the approved percentage(s) of co-financing.
10. In the event that the project does not reach the targets set in the Incentive Entitlement Certificate relevant to the aid granted, Malta Enterprise may recall any funds already distributed to the beneficiary.

Annex 3 – General Rules and Conditions

1) Amendments to Approved Assistance

Any amendments to an approved project must be timely notified to Malta Enterprise. A written request describing the proposed changes and including comprehensive arguments justifying the changes must be presented. Malta Enterprise will evaluate the proposed amendments and will within 6 weeks inform the applicant in writing of the outcome pursuant to the evaluation. The outcome of such evaluation may lead to any of the following:

- i. A change in the amount of aid and/or activities supported.
- ii. A request for further information on the proposed changes.
- iii. A recommendation to reconsider the proposed amendments.
- iv. An approval of the proposed changes.
- v. A revocation or modification of the Incentive Entitlement Certificate if the proposed amendments are not in line with the scope, terms and conditions of the scheme.

Failure to notify Malta Enterprise of any changes to the project as approved may result in Malta Enterprise revoking the Incentive Entitlement Certificate and claiming back any support received by the beneficiary.

2) Monitoring

Successful applicants will be subject to monitoring to ensure that the project is moving according to:

- i. the milestone schedule (if applicable);
- ii. the Incentive Entitlement Certificate;
- iii. this Guideline and the Regulation relevant to the incentive;
- iv. any applicable state aid obligations and regulations;
- v. any publicity obligations.

Monitoring visits will also ensure that all documentation is kept at the enterprise end.

3) On-Site Visits

Malta Enterprise and other relative authorities may undertake a number of random on site checks to verify documentation submitted and the implementation. Site visit may entail assessing:

- i. any required publicity obligations;
- ii. originals / copies of the relevant administrative and financial documentation, are in line with the requirements set in the Incentive Entitlement Certificate and any relevant regulation cited in or annexed to the Incentive Entitlement Certificate.

4) Sanctions and recovery of aid

In terms of Part VII and Part VIII of the Malta Enterprise Act, Chapter 463 for the Laws of Malta, Malta Enterprise may revoke, amend or modify the Incentive Entitlement Certificate and apply penalties or request recovery of aid in the case of breach of these Guidelines or the conditions set down in the Incentive Entitlement Certificate and any relevant regulations.

5) General Ineligible expenditure

Any item of expenditure not aligned to the rationale of this measure will be deemed as ineligible. The following is an inexhaustive list of such ineligible costs:

- i. cost incurred for the purchase of second hand equipment;
- ii. costs incurred prior to signature date of Incentive Entitlement Certificate;
- iii. overheads allocated or apportioned at rates materially in excess of those used for any similar work carried out by the applicant or above market prices;
- iv. contingencies and/or losses made by the applicant;
- v. the payment of dividends, royalty and interest charges;
- vi. service charges arising on finance leases, hire purchase and credit arrangements;
- vii. cost resulting from the deferral of payments to creditors;
- viii. costs involved in winding up a company;
- ix. cost related to litigation including any resulting claims for damages or fines;
 - x. insurance and indemnity costs;
 - xi. bad debts;
 - xii. payments for gifts and donations;
 - xiii. entertainment (including catering, receptions etc.);
 - xiv. tax (VAT, Income tax);
 - xv. statutory fines and penalties.