



Incentive Development Unit

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# MALTA ENTERPRISE ACT

## INCENTIVE GUIDELINES

**Thematic:** SME Development

**Regulation:** Assistance to Small and Medium-Sized Undertakings

**Title of Incentive:** Innovative Start-ups Scheme

*(Assistance for the development of a new business by a small or medium sized start-up undertaking.)*

Issue Date: 24<sup>th</sup> January 2008

Version: 1.0

Issued by: Incentive Development Unit

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# 1. Introduction

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## 1.1 Scope

New enterprises need a mix of resources and support in order to flourish. Often, these are not readily available. Most start-ups require external guidance, assistance and financing.

Through the *Innovative Start-ups Programme*, Malta Enterprise aims to provide innovative entrepreneurs with a host of services and incentives ranging from professional business advisory services to access to finance.

The *Innovative Start-up* grant scheme aims to support innovative start-up enterprises that demonstrate a potential for job creation and economic growth, by part-financing certain costs incurred by these enterprises during the setting-up phase.

## 1.2 Duration of the incentive

This scheme is available till 31<sup>st</sup> December 2013.

## 1.3 Legal Basis

These Guidelines are issued pursuant to the vires granted to Malta Enterprise under Article 8(3)(a) of the Malta Enterprise Act.

The Legal Notice entitled 'Assistance to Small and Medium-Sized Undertakings Regulations' provides the parameters of the aid awarded under this scheme.

## 1.4 Designated Authority

This incentive is administered by Malta Enterprise in conjunction with the Kordin Business Incubation Centre (KBIC).

# 2. Eligibility

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All Micro, Small and Medium sized Enterprises (SMEs) engaged in one or more of the activities identified below in section 2.1 are eligible to apply for aid under this incentive.

A start-up enterprise is an enterprise in its initial five years<sup>1</sup>. To benefit from this incentive, the enterprise must submit an application not later than three years after the enterprise was created.

The cash grants provided through this incentive are only available to innovative enterprises participating in the *Innovative Start-ups Program*.

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<sup>1</sup> The creation date of an enterprise is considered to be the registration date for partnerships and companies. For individuals the creation date will be equivalent to the date the individual obtained a trading licence for his activity.

## 2.1 Eligible Activities

Enterprises engaged in the following activities as defined in the Legal Notice on Assistance to Small and Medium-Sized Undertakings will be eligible for this incentive.

- i. Manufacturing;
- ii. Maintenance, Repair and Overhaul (M.R.O.) of: equipment, engines, plant and machinery, pleasure crafts and yachts, heavy equipment, aircraft;
- iii. Rendering of industrial services directly related to (i) and (ii) above;
- iv. ICT development activities, software development, and ICT enabled services but excluding enterprises engaged in gaming and telecommunications;
- v. R&D and Innovation;
- vi. Waste Treatment, Environmental solutions and eco-innovations.
- vii. Biotechnology
- viii. Other start-up enterprises proposing innovative products, services and process development, which are typically more advanced than those prevailing in their respective industry, in terms of technology, know-how and skills, shall be considered for aid under this incentive.

**NB:** Interpretation of eligible activities is in line with the criteria set in the Investment Aid Guidelines

## 3. Incentive Description

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### 3.1 Details of Incentive

Malta Enterprise provides business incubation services to highly innovative start-ups, through a business incubation programme provided by the Kordin Business Incubation Centre (KBIC). Undertakings hosted at KBIC must pay a service fee to cover the service rendered by Malta Enterprise

This scheme provides cash grants cover 45% of eligible cost to innovative start-ups by providing part financing for:

- i. the acquisition of tangible and intangible assets
- ii. internal capacity building to assist the business in achieving competitive market positioning.

The grant is available to enterprises enrolled in the *Innovative Start-ups Programme* and that have submitted a business plan approved by Malta Enterprise. Successful applicants may also benefit from other related incentives provided under the *Innovative Start-ups Programme* such as *Start-up Advisory Services* and *Access to Finance* instruments.

The maximum grant under this incentive is capped at Euro15,000, however the actual value granted to a beneficiary will vary according to the level of innovation of the start-up.

Malta Enterprise associates start-ups to three broad levels:

**LEVEL 1:** All start-up undertakings with a low innovation profile or a low potential for international trading.

Enterprises falling under this level will **not** be eligible for the cash grants under this *Innovative Start-up scheme*.

**LEVEL 2:** All start-up undertakings that are significantly innovative or that have the potential to trade their products or services internationally.

Enterprises falling under this level will be eligible for a cash grant of up to Euro 5,000.

**LEVEL 3:** Start-up undertakings supported as tenants or off-site clients of the *Kordin Business Incubation Centre* (KBIC) which at least one of the following requirements:

- i. The enterprise should be knowledge-based or highly innovative;
- ii. The proposed product and / or services has a good potential of being traded internationally;
- iii. The enterprise has a potential of collaborating with larger enterprises (as partners within their value chain)

Enterprises supported through the *Kordin Business Incubation Centre* (KBIC), will be eligible for a cash grant of up to Euro15,000.

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

**Approved projects may benefit from a cash grant that shall not exceed Euro15,000:**

**(A) Procurement of Services provided by outside consultants (45% of Cost)**

Services provided by outside consultants that are not of a continuous or periodic nature nor relate to the enterprise's usual operating expenditure, such as routine tax consultancy services, regular legal services, or advertising. Consultancy services should be pre-approved by Malta Enterprise and the aid may not exceed Euro2,500 per consultant or consulting firm.

**(B) Investments in tangible assets (45% of Cost)**

A tangible asset is a fixed physical asset required in the creation of a new establishment, the extension of an existing establishment, or the engagement in an

activity involving a fundamental change in the product or production process of an existing establishment (in particular through rationalisation, diversification or modernisation).

(An investment in fixed assets undertaken in the form of the takeover of an establishment which has closed or which would have closed had it not been purchased shall also be regarded as tangible investment)

### **(C) Investments in intangible assets<sup>2</sup> (45% of Cost)**

Intangible assets shall mean investment in transfer of technology by the acquisition of patent rights, licences, know-how or unpatented technical knowledge.

## **4. Evaluation and Assignment of Aid**

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Aid under this incentive is subject to pre-approval by Malta Enterprise.

All complete applications that meet the terms and conditions of participation will be assessed by Malta Enterprise. Projects that meet the mandatory criteria listed below will be evaluated mainly on the basis of the projects' contribution to add value in terms of **turnover, employment, investments** and **market positioning**. The potential of the start-up to: achieve international competitiveness; expand operations; and undertake Research and Development will also be considered. The evaluators will also seek other desirable indicators in the application in relation to gender equality, environmental concerns, the acquisition of knowledge and know-how and the project's potential to support regional economic development.

### **4.1 Mandatory Criteria**

- i. **Innovative** – The project must be innovative in concept, design, and/or application, thus providing the enterprise with a competitive edge.
- ii. **Financially / Commercially Feasible** – The project is financially sound.
- iii. **Technologically Feasible** – The project is based on sound technical concepts and uses technology to which the promoters have access.
- iv. **Knowledge** – The promoters have the necessary knowledge and know-how and/or have engaged further human resources that cover the skills and competencies required.

### **4.2 Notification of results**

Successful applicants will be notified in writing of the outcome of their application. Once a project is approved, a Letter of Approval or an Incentive Entitlement Certificate will be issued in line with Part 6 Section 28 *et seq.* of the ME Act.

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<sup>2</sup> All assets including 'Intangible assets' must be included in the Capital Assets Register

## 5. Further Information

Through the *innovative start-ups programme* Malta Enterprise provides a set of incentives to help the enterprise address its start-up requirements at the different phases of its development. The four key start-up phases recognised by Malta Enterprises are:

- i. Idea generation and development
- ii. Business planning stages
- iii. Implementation and Financing
- iv. Growth and Internationalisation

The following table provides a map of the assistance available to start-ups under the *Innovative Start-ups Programme*.

TARGET	LEVEL 1: Start-ups with no or very little innovation.	LEVEL 2: Innovative start-ups.	LEVEL 3: Knowledge-based, highly innovative start-ups.
Incubation Support			KBIC or KBICoutreach
<i>Idea generation and development</i>	5 Vouchers to attend training sessions under the Malta Enterprise Client Training Program.		
<i>Development and appraisal of business plan and concepts</i>	Start-up advisory services – provided under the <i>Business Advisory Services</i> scheme.		
<i>Business plan implementation cash grant</i>		<b>Euro 5,000.</b> (as per guideline 3.2)	<b>Euro 15,000</b> (LM6439.50). (as per guideline 3.2)
<i>Access to Finance</i>	Loan Guarantee Max Euro 75,000 (50% ) for up to 7 years	Loan Guarantee Max Euro 250,000 (50%) for up to 10 years	Loan Guarantee Max Euro 250,000 (75%) for up to 10 years
		Royalty Financing Agreements Max Euro 50,000	Royalty Financing Agreements Max Euro 100,000
<b>General Incubation Services</b>			Counselling by Malta enterprise officials; Use of conference and meeting facilities; Use of Shared Office Equipment; Secure Facility; Infrastructure; Shared Canteen; Secretarial Support; Local & Foreign Networking Client Units.

For the full definition of SME, see the “Official Journal of the European Union (L124/36) dated 20<sup>th</sup> May 2003 – Commission Recommendation of 6<sup>th</sup> May 2003 concerning the definition of micro, small and medium-sized enterprise”.

[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2003/l\\_124/l\\_12420030520en00360041.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2003/l_124/l_12420030520en00360041.pdf)

## 6 State Aid Rules and Obligations

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### 6.1 *Applicable State Aid*

Commission Regulation No. 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises, Official Journal L 10, 13.10.2001, pages 33-42

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:010:0033:0042:EN:PDF>

### 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 Investments under the Incentive*

As outlined in SME Block Exemption Regulation – Commission Regulation 70/2001 investments funded under this guideline must be retained for at least five years.

## 7. Contact Details

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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:

Kordin Business Incubation Centre  
Industrial Estate  
Kordin PLA08  
Malta

Tel: +356 2542 0000

Fax: +356 2542 3401

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

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

## Annex 1 – Application Process

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1. Enterprises should download the relevant 'Instructions to Applicants' and/or Application forms from the Malta Enterprise website: [incentives.maltaenterprise.com](http://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

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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**

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### **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.