



Incentive Development Unit

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.)

State aid reference: X 278 / 2009 - Innovative Start-Up Scheme

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1. Introduction

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 31st December 2013.

1.3 Legal Basis

Malta Enterprise is authorised to issue and publish Guidelines in terms of Article 8(3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

The legal basis of this incentive is the 'Assistance to Small and Medium-Sized Undertakings Regulations, 2008 (L.N. 69 of 2008)'. This Legal Notice provides the parameters for the assistance provided under this incentive.

1.4 Designated Authority

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

2. Eligibility

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 years¹. 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*.

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. ICT development activities, software development, and ICT enabled services but excluding enterprises engaged in gaming and telecommunications;
- iii. R&D and Innovation;
- iv. Waste Treatment, Environmental solutions and eco-innovations.
- v. Biotechnology
- vi. 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

2.2 Exclusions

- a. Enterprises controlled or owned by Government are not eligible for this incentive.
- b. Assistance under this scheme will NOT be provided to undertakings engaged in:
 - The production of products listed in Annex I to the EC Treaty except those involved in the processing and marketing of such products but only to the extent laid down in the Community Guidelines for State aid in the agriculture sector;
 - The fisheries sector;
 - The coal industry;
 - The steel industry;

¹ 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.

- The synthetic fibres sector;
 - The transport sector;
 - Retail activities (as prescribed in L.N. 69 of 2008).
- c. Assistance under the scheme cannot be granted to firms in difficulty in the meaning of the Community Guidelines on State aid for rescuing and restructuring firms in difficulty, Official Journal C244, 01.10.2004.

3. Incentive Description

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

The aid intensity for projects supported under this incentive is set as a percentage of the eligible costs incurred in relation to the items of expenditure mentioned below. The applicable percentage is determined according to the size of the enterprise applying for the aid:

40% of eligible costs in the case of Medium-sized Enterprises

50% of eligible costs in the case of Small Enterprises.

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) with 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

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

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

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

3.3 Additional Provisions

The following additional provisions shall apply to any costs that may be supported through this incentive:

- i. All assets including 'Intangible assets' must be included in the Capital Assets Register and must remain in the enterprise receiving the aid for at least three years.
- ii. All funding must be on costs incurred by the applicant after the aid is granted.
- iii. All consultancy or services must be subcontracted and must not be 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.

4. Evaluation and Assignment of Aid

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.

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>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>		Euro 5,000. (as per guideline 3.2)	Euro 15,000 (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
General Incubation Services			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**, refer to Annex I of Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation).

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

6 State Aid Rules and Obligations

6.1 *Applicable State Aid*

These guidelines are in line with Commission Regulation (EC) No. 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation).

[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>]

6.2 *Cumulation*

Any aid granted through this Incentive shall not be cumulated with any other aid exempted under this Regulation or de minimis aid fulfilling the conditions laid down in Commission Regulation (EC) No 1998/2006 (1) or with other Community funding in relation to the same - partly or fully overlapping - eligible costs if such cumulation would result in exceeding the highest aid intensity or aid amount applicable to this aid under Commission Regulation (EC) No. 800/2008 of 6 August 2008 (General Block Exemption Regulation).

Full rules on cumulation can be found in Article 7 of Commission Regulation (EC) No. 800/2008 of 6 August 2008.

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.

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