

BUSINESS ENHANCE GRANTS SCHEMES



## INTRODUCTION

By virtue of €51 million in grants, the Business Enhance Grants Schemes, part-financed by the European Regional Development Fund (ERDF) 2014-2020, seek to support enterprises when undertaking investment projects aimed at securing sustainable business growth, by becoming more competitive, innovative and more resilient to market challenges.

The first two schemes launched under this initiative are the Start-Up Investment Grant Scheme and the SME Growth Grant Scheme, with a budget of €7 million and €8 million respectively. The grants, which are administered through a series of competitive calls, are intended to assist start-ups and SMEs to cover the eligible costs, namely:

- Lease of private operational premises
- Construction/up-grades of private operational premises
- Purchasing of new equipment, machinery and plant
- Patents and licenses



## CHOOSE YOUR SCHEME...



On a local level, the Maltese government has introduced the **SEED INVESTMENT SCHEME** targeted at start-up businesses, where qualifying investors will receive a 35% tax credit of the aggregate value of the investment made in a qualifying company, as an incentive to financially support emerging businesses.

## START-UP INVESTMENT GRANT SCHEME

In recent years, SMEs in the Maltese economy increased approximately by 20%. Notwithstanding, fostering an entrepreneurial culture and the creation of start-ups is still a significant challenge. Ensuring that this momentum is sustained and gains speed is a priority, in order to adopt a competitive and sustainable economy that is resilient to meet upcoming challenges.

By their very nature, through their novelty, start-ups offer just as many challenges and risks as rewards and opportunities. As part of the normal dynamics of a healthy economy, only 50% of businesses survive the first five years.

This, together with the potential welfare gains to the economy that can accrue from nurturing an environment that supports start-ups, further instigates the need for tangible assistance to start-ups at the early stages.



## WHAT IS THE BENEFIT GRANTED?

The Start-up Investment Grant-Scheme provides a part-financing of 50% of the eligible expenditure, up to a maximum grant of € 300,000. Total budget is set at € 7 million.

## WHO IS ELIGIBLE?

Target companies are Micro and Small Start-ups, being autonomous, unlisted enterprises, established for less than three years, on condition that the start-up has not yet distributed profits and has not been formed through a merger.

## WHAT ARE THE QUALIFYING ACTIVITIES?

This Grant Scheme seeks to assist start-ups, engaged in one of the following activities, to part-finance their initial productive investment in Tangible and Intangible assets, in line with a business plan, to implement their business growth strategies:

- The production, manufacture, improvement, assembly, preservation, processing of goods, materials, commodities, equipment, plant machinery;
- Biotechnology, Pharmaceuticals and Life Sciences;
- Research and Technological Innovation;
- The repair, overhaul or maintenance of pleasure crafts, yachts having less than 100gt, aircraft, engines or equipment incorporated or used in such vessels or aircraft;
- Information and communication technology (ICT) development activities, software development;
- Eco-innovations, and environmental solutions;
- The creation of tourism products and services as a result of networks created between traditional

- tourism service providers and the crafts and artisan sector;
- The development and provision of tourism products and services related to emerging niche markets;
- The development and provision of tourism products and services related to the promotion of natural and cultural heritage;
- The development and provision of tourism products and services relating to social tourism with specific focus on senior tourists, accessible tourism and active ageing;
- The development of innovative concepts, products and services offered by Boutique Hotels and Palazzini;
- The development, and/or provision of E-health solutions;
- The development and provision of services and products promoting healthy living;
- The development and provision of services and products promoting active ageing;
- The development and provision of services and products related to child-day care;
- The development and creation of crafts and artisan products;
- Retail activities by self-employed and family businesses engaged in craft;
- Start-ups proposing products and/or services that can be marketed and distributed internationally and which are typically more advanced than those prevailing in their respective industry in terms of technology, know-how and skills.

## SME GROWTH GRANT SCHEME

For many SMEs, achieving growth is an important business objective. Market demands require rapid response from enterprises to sustain their competitiveness and grow. As they pursue growth in sales and earnings, SMEs are putting in place a variety of measures to ensure they are well positioned to exploit growth opportunities. Such challenges push SMEs to take up initiatives to increase their market share, enter new markets and internationalise to overcome regional challenges.

SMEs have limited financial resources and encounter difficulties in accessing finance to generate the required capital to take-up investment projects. The lack of readily available financing options pose greater difficulty to SMEs to react to market demands requiring them to undertake rapid and timely intervention through investment, on expansion projects to enable them to secure the adequate capacity levels to re-align and secure their supply levels.



## WHAT IS THE BENEFIT GRANTED?

This scheme seeks to assist SMEs to address this gap by providing support in the form of non-repayable Grants to part-finance investments towards the implementation of their growth strategies, related to the extension of the capacity of an existing establishment, or the setting up of a new establishment. The Maximum grant is € 500,000 and the total budget is € 8 million.

## WHAT IS THE AID INTENSITY?

The aid intensity will depend on the size of the enterprise, according to the following scheme:

- Micro & Small: 35% up to 31<sup>st</sup> December 2017; 30% as of 1<sup>st</sup> January 2018
- Medium: 25% up to 31<sup>st</sup> December 2017; 20% as of 1<sup>st</sup> January 2018

## WHAT ARE THE QUALIFYING ACTIVITIES?

Initial Investment in tangible and intangible assets related to:

- the extension of the capacity of an existing establishment,
- the setting up of a new establishment.

The investment should result in the growth of the Undertaking, and an increase in the number of employees (full-time equivalent) employed by the Undertaking.

## SEED INVESTEMENT SCHEME

The Seed Investment Scheme, launched by the Prime Minister at the end of July 2016, is the fruit of collaboration between the Ministry for Finance, the Ministry for the Economy and MIMCOL, the Malta Investment Management Company Limited. It shall apply to qualifying investors who subscribe to fully paid up equity shares at par in a qualifying company on their own behalf. Investments made in a qualifying company shall, in the aggregate, NOT exceed €750,000 per qualifying company.



## WHAT IS THE BENEFIT GRANTED?

Qualifying investor shall benefit from a tax credit amounting to **35%** of the aggregate value of the investments made by such investor in one or more qualifying companies. However: total tax credit shall NOT exceed €250,000 per annum.

Such tax credit shall be set off against the tax due by the qualifying investor in respect of any income or gains brought to charge to tax in the year of assessment immediately following the basis year during which the investment is made.

## WHO IS ELIGIBLE?

### Who is a qualifying investor?

Qualifying investor is any natural person who is resident in Malta or non-resident EU/EEA nationals who has at least 90% of their worldwide income derived from Malta<sup>1</sup> to the extent that he bears the full risk in respect of his investment, and who has been duly issued with the relative compliance certificate by the competent entity.



### Qualifying investor shall:

- Continue to hold investment in the qualifying company for a period of NOT less than 3 years subsequent to the subscription by the qualifying investor to such equity shares; and
- NOT be connected to the qualifying company prior to the subscription to the equity shares.



Qualifying investor shall invest in the qualifying company within a period of **2 years** from when the qualifying company is first issued with a compliance certificate for the status of a 'qualifying company'. Nonetheless, investment in a qualifying company may be made in instalments, over a period of more than 1 year, as long as the commitment to invest is made within the 2-year period.

## WHAT IS A QUALIFYING COMPANY?

An SME that: (satisfies the following cumulative conditions)

1. Is incorporated in Malta or controlled and managed from Malta or has a place of business in Malta;
2. Has been in existence and engaged in carrying out qualifying activities for a period not exceeding 3 years following its first commercial sale;
3. Is not listed on any recognised stock exchange;
4. Has a maximum of 10 employees;
5. Has a gross asset of not more than €250,000 immediately preceding the issue of equity shares to the qualifying investor, and that has been duly issued with the relative compliance certificate by the competent authority.

<sup>1</sup> Provisos (i) and (ii) to article 56(1)(c) of the Income Tax Act

## WHAT ARE THE QUALIFYING ACTIVITIES?

Any activity relating to any trade, business, profession or vocation, excluding the following:

- dealing in immovable property, shares, securities and, or other financial instruments;
- dealing in goods other than in the normal course of business;
- carrying on banking, insurance or any other activity covered by the Investment Services Act, the Banking Act, and the Financial Institutions Act;
- providing legal, accounting or other professional services;
- activities relating to the development of immovable property;
- receiving royalties or licence fees;
- operating or managing hotels, hostels, guest houses or residential care homes;
- carrying on activities in connection with the generation of electricity and other energy sources;
- The holding of shares, whether directly or indirectly, in any company which carries out any of the aforementioned activities.

## WHAT IS EXCLUDED?

### Excluded undertakings

Undertakings in difficulty, undertakings which are subject to an outstanding recovery order and other undertakings expressly excluded from receiving such aid<sup>2</sup>. Undertakings which, directly or indirectly, hold shares in any company which carries out any excluded activities, are excluded from becoming a qualifying company.

### Losses

Any loss incurred by qualifying investor from disposal of an investment or from liquidation of qualifying company shall NOT be allowed as a deduction in respect of income/chargeable gains.

### Capital Gains

Where investment in qualifying company is disposed of within 3 years from date of subscription to equity shares → the tax due in respect of the income derived from such disposal shall be calculated on the basis of the higher of the market value of such investment and the consideration received by the qualifying investor.

Where investment in qualifying company is disposed of after lapse of 3 years from date of subscription to equity shares by qualifying investor → any gains/profits derived from such disposal shall be exempt from any tax otherwise due.

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<sup>2</sup>In terms of 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 may be amended from time to time.

## APPLICATIONS

Application forms under the Scheme are accepted from 1<sup>st</sup> August 2016 until 31<sup>st</sup> December 2018, or until €5 million worth of investments in qualifying companies are reached.

More details on the applications can be obtained from MIMCOL.

## HOW WE CAN ASSIST YOU

Don't miss out on this opportunity! PKF can assist and advise you to choose the best scheme tailored to your needs, as well as in the preparation and application stage.

PKF are equipped with the necessary resources, dexterity and skills required to take you to the next stage of realising your inner genius. Having both start-ups and SMEs in our portfolio, lends us a familiarity that is only amassed through experience garnered. Being an SME ourselves allows us not only to empathise but also to sympathise with our growth-seeking clients. Finally, we listen, where to listen is key to entrepreneurial enhancement.

### YOU CAN REACH US HERE:

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