

## Tax Alert

### Malta Grants and Incentives - Micro Guarantee and MicroInvest Schemes



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In December 2013, Malta Enterprise re-launched the Micro Guarantee and MicroInvest Schemes, with the publication of revised Incentive Guidelines intended to assist the development of small enterprises in Malta and Gozo.

#### Micro Guarantee Scheme

The Micro Guarantee Scheme shall provide eligible undertakings with a guarantee of up to 80% on loans of up to €100,000 which may be used to finance projects leading to business enhancement, growth and development. Its objective is to accelerate growth by facilitating access to debt finance for smaller business undertakings.

This incentive is available to business undertakings which, on the application date, satisfy all the following criteria:

- a. The applicant must employ at least one employee (may be the self-employed person) and must not have employed more than 50 persons (Full Time Equivalents - FTE) at any instance during the previous 12 months;
- b. The applicant's turnover and balance sheet total for the fiscal year preceding the application must not exceed €10 million;
- c. The applicant should be registered with the VAT department and in possession of regulatory licences and applicable permits;
- d. The applicant should not be linked to any enterprise operating in the same relevant market that has benefited from this incentive;
- e. The operations related to the investment and the investment itself should be based in Malta and/or Gozo; and
- f. The project proposed and the loan itself should be linked to one or more of the following outcomes:

- Establishment of new business;
- New or improved products, services or processes;
- Adoption of new technology;
- Reduction in costs;
- Increase in sales;
- Retention and/or generation of new/additional jobs;
- Increased productivity; and
- Potential of growth in foreign markets.

Micro Guarantees may be utilised for accessing funds required for the acquisition of tangible and intangible assets, including plant and machinery, fixtures and fittings, immovable property and intellectual property, and working capital linked to such acquisitions.

Irrespective of the size of the guaranteed loan the incentive is available only once to each eligible undertaking. The guarantee will be issued to the bank granting the loan. Malta Enterprise will not require security directly from the beneficiary but may require that beneficiaries cover the guaranteed loan with a life insurance policy that covers the key persons engaged in the business venture. The implementation period is the period of up to 12 months during which the beneficiary may draw down amounts to cover approved costs from the guaranteed loan. This period shall commence on the date the bank issues a sanction letter in favour of the beneficiary.

Eligible undertakings wishing to benefit from this Micro Guarantee facility should submit their request on the official application, which may be accessed via this [link](#).

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### **MicroInvest Scheme**

The objective of the MicroInvest Scheme is to encourage undertakings to invest in their business, to innovate, expand, and implement compliance directives or to develop their operations. Such undertakings, which may include self-employed persons, will be supported through a tax credit amounting to 40% of the eligible expenditure and wages of newly recruited employees and/or apprentices. Undertakings operating from Gozo benefit from an additional 20% tax credit. The tax credit shall be capped at €25,000 per undertaking.

This incentive covers eligible costs incurred between 1 January 2013 and 31 December 2013. Applications for assistance will be received until the 28 March, 2014.

This incentive is available to undertakings which, on the application date, satisfy all the following criteria:

- a. In the case of autonomous undertakings, the undertaking must not have employed more than thirty persons (FTE) as at 30 November 2012 and its annual turnover for 2012 must not have exceeded €10 million;
- b. In the case of undertakings forming part of a group, the group must not have employed more than thirty persons (FTE) as at 30 November 2012 and its annual turnover for 2012 must not have exceeded €10 million;

- c. The undertaking must employ at least one person. Start-up undertakings set up after 30 November 2012 and employing at least one person between the setting-up date and the 31 December 2013 are deemed as eligible;
- d. The undertaking should be registered with the VAT Department;
- e. The undertakings should have the applicable regulatory licences and permits;
- f. Applicants must not be defaulting on VAT, income tax, social security and rent payments to government.

The costs on which the tax credit would be computed include:

- a. Costs subcontracted to third parties in relation to refurbishing, refurbishing and upgrading of business premises including extensions or modifications to such premises;
- b. Investment in acquiring machinery, technology, apparatus or instruments which enhance the operations, including systems which help to save energy or to produce alternative energy;
- c. Investments made by the undertaking for it to become compliant with regulations including health and safety, environmental directives, and physical access;
- d. Investment in one motor vehicle as long as it is involved in the carrying of goods, and Special Purpose Motor Vehicles;
- e. Wages costs covering a 12-month period pertaining to new jobs or apprenticeships created as from 1 January 2013 as long as this constitutes a net increase in the total number of employees when compared with the situation as at 30 November 2012.

All assisted jobs must be maintained by the beneficiary for a period of at least 36 months. Any investment in equipment, instruments and motor vehicles must also be retained for at least 36 months.

Applications should be made on completion of the project and may be accessed via this [link](#).

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Should you require any assistance, please do not hesitate to [contact us](#) or your usual Deloitte Malta contact.

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