



## Malta grants and incentives

The Investment Aid incentive entered into force in the fiscal year starting on 1 January 2008 and applies to eligible expenditure incurred on or after 1 January 2008. The current scheme, which is applicable from 1 July 2014 until 31 December 2020, replaces the old scheme which expired on 30 June 2014.

### 1. Legal basis and designated authority

The Investment Aid incentive takes the form of investment tax credits expressed as a percentage of the investment in qualifying expenditure, undertaken by entities engaged in qualifying activities and is regulated by the 'Investment Aid Regulations' (Subsidiary Legislation 463.10 issued under the Malta Enterprise Act) and the Official Incentive Guidelines published by Malta Enterprise.

### 2. Investment tax credits

Investment tax credits are awarded to a qualifying company and computed as a percentage of qualifying expenditure. The qualifying investment is expected to remain in Malta for at least five years in the case of large enterprises or three years in the case of small and medium-sized enterprises, with the exception of plant or machinery which has become outdated within this period due to rapid technological change, provided the underlying economic activity is retained in Malta for the minimum period of five or three years as explained.

The investment tax credits cannot exceed the aid intensities set out below. There are two sets of aid intensities, applicable to 'start of works' between 1/7/14 and 31/12/17 and 1/1/18 to 31/12/20. 'Start of works' has been defined in the guidelines as 'the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible.' Buying land and preparatory works such as obtaining permits and conducting feasibility studies is not considered as if the works have started.

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#### Start of works 01.07.2014 to 31.12.2017

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Small enterprises	35%
Medium sized enterprises	25%
Large enterprises	15%
Hotels	15%

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#### Start of works 01.01.2018 to 31.12.2020

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Small enterprises	30%
Medium sized enterprises	20%
Large enterprises	10%
Hotels - SMEs	15%
Hotels - Large	10%

Furthermore, in the case of large investment projects, with eligible costs exceeding €50 million, the applicable maximum permissible aid shall be adjusted according to the following formula.

Maximum aid amount =  $R \times (50 + 0.50 \times B + 0 \times C)$  Where R is the applicable aid intensity for large enterprises; B is the part of eligible costs between €50 million and €100 million; and C is the part of the eligible costs above €100 million.

The tax credit is deducted against the Malta tax payable by the enterprise on income that is directly derived from the qualifying activity of the beneficiary undertaking. Any tax credit that exceeds the tax payable for a particular year of assessment may be carried forward and increased by a percentage rate for Malta as calculated by the EU Commission (1 January 2014: 0.53%)

### 3. Qualifying expenditure

The value of qualifying expenditure is calculated, at the company's option, either as the value of:

- Qualifying tangible and intangible assets acquired in relation to an initial investment project; or
- Wage costs for jobs directly created by the initial investment project.

### 4. Initial investment project

In the case of small or medium-sized enterprises (SMEs) an 'Initial Investment Project' entails the acquisition or development of tangible and intangible assets for:

- The setting up of a new establishment;
- The extension of the capacity of an existing establishment;
- Diversification of the output of an establishment into new products;
- A fundamental change in the overall production process of an existing establishment; or
- The acquisition by an independent qualifying company of capital assets directly linked to an establishment which has closed or which would have closed had it not been purchased.

In the case of large enterprises, investment tax credits shall only be awarded in respect to 'initial investment projects in favour of a new economic activity or activities' as long as the activity is not the same or a similar

activity to the activity previously performed in the establishment, that is an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities.

In the case of aid granted for a fundamental change in the production process, the eligible costs must exceed the depreciation of the assets linked to the activity to be modernised in the course of the preceding three fiscal years. In the case of aid granted for a diversification in the production process, the eligible costs must exceed by at least 200% the book value of the assets that are reused, as registered in the fiscal year preceding the start of works.

## 5. Qualifying activities

To qualify for assistance an enterprise needs to be solely engaged in one or more of the following activities:

- a. **Manufacturing**, which includes the repair, overhaul or maintenance of pleasure crafts, yachts, aircraft engines or equipment incorporated or used in such vessels or aircraft.
- b. **Information Technology (IT)**, being defined computer programming activities and the provision of data processing, hosting and related activities, but excluding gaming and telecommunications services undertakings.
- c. **Call centre activities**, being inbound or outbound call centre services that receive customer orders, provide product information, deal with customer requests for assistance, address customer complaints, sell or market goods or services to potential customers, undertake market research or public opinion polling and similar activities for clients; provided that the number of full time equivalent employment is at least equal to 20.
- d. **Research and development and innovation**, being the design, development, testing and technical analysis of new products and/or processes that are at the leading edge of the applicable market, or when such activity is undertaken on an industrial scale.
- e. **Eco-innovation, waste treatment and environmental solutions**, being the operation of physical, thermal, chemical or biological processes which change the characteristics of the waste in order to reduce its volume or hazardous nature, facilitate its handling or enhance recovery, and processes that significantly prevent, reduce or reverse the negative impacts of human activities on the environment. Projects that result in the generation and/or production of energy are not considered eligible.
- f. **Biotechnology**, being the research, development, quality assurance and/or production of products and services requiring the use of bio-technologies for their modification, synthesis or exploitation; the research, development, validation and commercialisation of human tissue programmes; the production, quality assurance and clinical validation of new medical devices based on research in life sciences; the development and application of research in life sciences within industry.
- g. **Pharmaceuticals**, being the formulation, development and manufacture of pharmaceuticals, licensed for use as medications; the preparation and packaging of such pharmaceuticals; and logistics operations. Provided that undertakings must hold a Good Manufacturing Practice certificate issued by the Medicines Authority in Malta.
- h. **Facilities for filming and audiovisual productions**, being the production of audiovisual productions consisting of feature films, television films, advertisements and documentaries; and/ or the operation and provision of facilities and equipment required in the production of same; and/or the operation of a sound studio; and/or the development of digital audiovisual media and digital games. Provided that undertakings engaged in broadcasting of audiovisual content to live audiences are ineligible.
- i. **Provision of tertiary education**, leading to qualifications classified by the Malta Qualifications Council, insofar that the investment results in the provision of one or more tertiary degrees; or leading to specialised, industry recognised training and/or tuition focusing on crafts.
- j. **Provision of private health care services**, constituting an investment of at least €5 million in medical equipment (diagnostic equipment, therapeutic equipment, life support equipment and medical monitors) within a 36 month period; or an investment in medical equipment and results in the creation of at least 25 direct, new, full- time, equivalent jobs within a 24 month period from completion of the investment. Undertakings engaged solely in the provision of residential care shall not be deemed eligible.

- k. **Freeport and logistics' operations**, being licensed activities set out in Article 10 of the Malta Freeports Act, Chapter 334 of the Laws of Malta; and the provision of storage, warehousing and related activities insofar that the eligible investment shall be a new investment project implemented within a 36 month period, of either at least €5 million for the provision of storage and warehousing facilities in a port (air/sea) area or that shall result in the creation of a minimum of 50 full time equivalent jobs within 24 months of completion of works.
- l. **Hotels, resort hotels, suite/apartment hotels or guest houses**, where the economic activity consists mainly in the operation or management of licensed hotel or group of licensed hotels, and where there is an investment in the development or upgrading of such hotel/s.
- m. **Shared knowledge intensive services related to treasury management; international market research and public opinion polling; architectural and engineering and technical design services; human resources recruitment, provision and management; strategic and organisational planning, decision making, operational control and operations management of linked and partnered enterprises.** Provided that such undertakings shall be eligible for Investment Aid Tax Credits insofar that the eligible investment shall be limited to a new investment project required for the provision of the service. Such investment should result in the creation of at least 30 direct full time jobs within 24 months from the completion of the investment project when the services centre is based in Malta or 20 for a centre based in Gozo. These jobs are to be retained in order for the undertaking to be able to claim any accumulated tax credits.

Provided also that:

- i. At least 60% of the employees shall have a qualification of level 6 or higher as defined by the Malta Qualifications Council;
  - ii. Such services do not consist of solely or mainly the mere expansion, duplication, or replacement of a trade or business formerly carried on in Malta by any person or enterprise directly or indirectly connected with the said undertaking; and
  - iii. The undertaking is not related directly or indirectly to any bank and other credit institution, audit firm, fiduciary services provider, insurance firm and other enterprises engaged in financial services.
- n. **Restoration of works of art and antiques, excluding the restoration of buildings and other structures.**
  - o. **The carrying out of an initial investment in a facility that can house cultural, creative and trade events and that accommodates at least 1,000 persons.** Tax credits will remain available as long as the facility is used for the indicated activities.
  - p. **The carrying out of packaging activities on an industrial scale which require some form of automation and where such activities are not a mere preparation for direct retail sales.**

## 6. Disqualifying activities

An undertaking, irrespective of whether it is carrying out an eligible activity as indicated above, would be disqualified if it undertakes sales by retail; or is engaged in non-value-adding processes where employment is less than 100 FTEs and where the main activity is dividing, sorting, packaging, and mixing without changing the character of the good; or is engaged in the preparation of food in the course of catering (unless such a process is carried out by hotels).

## 7. Application process

An undertaking shall be eligible to qualify for investment tax credits after it has completed and submitted the relevant application form and necessary documentation, including its Memorandum and Articles of Association and its latest financial statements where applicable.

The enterprise shall be issued with an Incentive Entitlement Certificate.

## Tax factsheet

### Craig Schembri

Deloitte  
Deloitte Place  
Mriehel Bypass  
Mriehel BKR 3000  
Malta

craigschembri@deloitte.com.mt  
+356 2343 2751

Other Deloitte contacts:

### Marc Alden

malden@deloitte.com.mt  
+356 2343 2712

### Malcolm Booker

mbooker@deloitte.com.mt  
+356 2343 2000

### Nick Captur

ncaptur@deloitte.com.mt  
+356 2343 2714

### Conrad Cassar Torregiani

ctorregiani@deloitte.com.mt  
+356 2343 2716

### Chris Curmi

ccurmi@deloitte.com.mt  
+356 2343 2708

### Louise Micallef

lmicallef@deloitte.com.mt  
+356 2343 2755

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