

## INCENTIVE GUIDELINES



*Thematic:*

SME Development

*Regulation:*

*Assistance to Small and Medium-Sized Undertakings  
Regulations, 2008*

*Title of Incentive:*

**ERDF Small Start-ups Grant Scheme**

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[www.20millionforindustry.com](http://www.20millionforindustry.com)

<http://incentives.maltaenterprise.com>

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# **1. Introduction**

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## **1.1 Scope and Background**

Newly created start-up enterprises face higher costs per unit to develop an initial offering and to position themselves in the market. One of the most critical phases encountered by all start-ups is the time lag between the initial investment and the matching of financial inflows generated through sales.

The scope of this incentive is to support the formation of new, high value-adding enterprises by part-financing their initial operational costs. Hence, the assisted start-up will have a higher probability of survival.

## **1.2 Duration of the incentive**

This incentive will remain effective until 31<sup>st</sup> December 2013. Malta Enterprise may review, update and amend this Incentive Guideline.

## **1.3 Competitive Calls**

The incentive will be administered through a series of competitive calls. Malta Enterprise will issue public calls for interested enterprises to submit applications under this incentive. Applications will be reviewed and eligible applications will be evaluated and ranked. Grants will be awarded to the top ranking applicants in accordance to the available budgets.

## **1.4 Legal Basis**

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

The legal notice entitled *Assistance to Small and Medium-Sized Undertakings Regulations, 2008 (L.N. 69 of 2008)*, issued under the *Malta Enterprise Act*, provides the legal basis of this incentive. .

## **1.5 Designated Authority**

This incentive is administered by Malta Enterprise.

## **2. Eligibility**

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### **2.1 Eligible Sectors**

Small, newly created enterprises (created less than three years before the date of closure of the call for applications) engaged in the following activities, as defined in Legal Notice 69 of 2008<sup>1</sup>, are eligible for assistance under this incentive:

- i. Manufacturing which include the production, manufacture, improvement, assembly, preservation, processing of any goods, materials, commodities, equipment, plant and machinery;
- ii. Information and communication technology (ICT) development activities, software development, and ICT enabled services.
- iii. Research and Development and Innovation;
- iv. Waste Treatment and Environmental solutions;
- v. Biotechnology;
- vi. Start-up enterprises proposing innovative products, services and processes, which are typically more advanced in terms of technology, know-how and skills than those prevailing in their respective industry.

### **2.2 Exclusions**

- a. Public entities defined as: "Ministries, Departments, Entities, Authorities, Public Commissions Public Sector Foundations and similar organisations that carry out a public or regulatory function which does not involve the carrying out of an economic activity, whether or not such organisations are established by law" are not eligible under this scheme. Nevertheless commercial undertakings carrying out exclusively an economic activity in direct competition with third parties and in which Government has a controlling interest are eligible under this scheme.
- 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 and aquaculture sector;
  - Enterprises engaged in gaming and telecommunications;
  - Wholesale and retail trade; repair of motor vehicles and motorcycles (NACE Section G);

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<sup>1</sup> Assistance to Small and Medium-Sized Undertakings Regulations, 2008

- Tourism activities:
    - i. Hotels and restaurants (NACE 55 and 56).
    - ii. Travel agency activities, Tour operator activities, other reservation services and related activities (NACE 79).
    - iii. Creative, arts and entertainment activities (NACE 90).
    - iv. Libraries, archives, museums and other cultural activities (NACE 91).
    - v. Sports activities, and amusement and recreation activities (NACE 93).
  - The coal industry;
  - The steel industry;
  - The gaming industry;
  - Shipbuilding;
  - Financial and insurance activities (NACE Section K);
  - The synthetic fibres sector;
  - The transport sector;
- 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;
- d. Assistance under this scheme is designed exclusively for newly created small enterprises and shall NOT apply to existing small enterprises that close down and re-open. Enterprises controlled by owners of previously closed down businesses cannot benefit from this incentive if the new enterprise is operative in the same or related sectors as that of the closed down firm. This restriction applies for a period of twelve months following such closure.
- e. Assistance shall NOT apply to newly established, small enterprises that are linked to another enterprise that is undertaking similar or directly related activities in the same relevant market.

## **3. Incentive Description**

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### **3.1 Details of Incentive**

This incentive will provide cash grants to small start-ups by part-financing operating costs.

### **3.2 Actions, eligible costs and the applicable aid intensity**

The costs outlined below are eligible for part-financing. The aid intensity for start-ups supported under this incentive is set at **25%** of the eligible costs.

Funding shall be provided for a maximum of **24 months**. For an application to be considered for co-funding, the project value (based on eligible expenses) must be at least **Euro 50,000**. The maximum grant value is capped at **Euro 100,000**.

The eligible cost must fall within the classifications set below:

#### **(A) Wage Costs (25% of cost for up to two years)**

The gross wage costs (as per Final Settlement System) and the employer's share of National Insurance are eligible for funding. The beneficiary must retain the jobs assisted for a minimum of 36 months from the date of recruitment.

This support is capped at Euro 20,000 per person over the 24 month project period.

#### **(B) Renting / leasing of equipment and production facilities (25% of cost for up to two years)**

Part-financing will be awarded for renting or leasing of:

- i. equipment that is required by the enterprise to operate;
- ii. private production premises.

Notes:

- (a) Renting and Leasing from shareholders or enterprises that are linked to the applicant is NOT considered eligible.
- (b) Leasing is only eligible when the equipment, production facilities and premises leased remain the property of the lessor (the person leasing out the goods or the property). The costs of leasing equipment or facilities under a finance lease are not eligible. Finance leases are similar to hire purchase agreements.

#### **(C) Utilities (25% of cost for up to two years)**

Part-financing of water and electricity costs.

### **3.3 Additional Provisions**

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

- i. All funding will be based on reimbursement of eligible costs;
- ii. All funding must be relative to cost incurred by the applicant after the aid is granted;
- iii. All costs must be incurred within the first five years of the creation of the enterprise;
- iv. The beneficiary must have a total employment of at least 3 full-time employees (or 3 full-time equivalents) within 12 months from the date the aid is approved, otherwise any approved assistance will have to be revoked.

## 4. Evaluation and Assignment of Aid

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All applications will be assessed by Malta Enterprise on the following criteria:

### 4.1 Eligibility Criteria

For an application to be eligible for evaluation the following conditions must be met:

1. The application should be complete. That is:
  - a. all fields on the form must be filled in with the relevant details;
  - b. all requested annexes must be attached to the application form.
2. The application fits with the focus area(s) of the aid scheme as defined in Section 3 (*Incentive Description*).
3. The applicant has honoured / rectified any obligations or conditions set by Malta Enterprise with respect to previous granted support.
4. The application/applicant must be within State aid parameters as outlined in Section 6 (*State Aid Rules and Obligations*). All aid provided through this incentive must be in line with the *Guidelines on National Regional Aid for 2007 – 2013*<sup>2</sup> (Section 6 entitled *Aid for Newly Created Small Enterprises*).
5. The applicant must comply with the laws pertaining to the intervention(s) being proposed for funding.
6. The applicant must be in-line with the criteria defined in Section 2 (*Eligibility*).

Applications that do not comply with any one of the above conditions will be rejected.

### 4.2 Preliminary Evaluation (35%)

1. **Risk Appraisal:** Risk will be assessed on the number of years the enterprise has been established, the duration of the funded period, the value of the funds applied for in relation to the financial resources of the applicant, any preparatory work the applicant may have carried out, together with the applicant's capacity to sustain the eligible expenditure during the funded period. The riskier the start-up in line with the above conditions the lower the score.
2. **Extent of need for support:** Applications will be assessed in terms of the applicant's need for support which will be determined on the size of the enterprise and whether it forms part of a network. The smaller the undertaking the higher the score. Additional points will be given to those undertakings that form part of a relevant network.
3. **Holistic nature of expenditure being applied for:** Applications comprising more than one eligible cost as outlined in Section 3 (*Incentive Description*) will be awarded higher marks.

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<sup>2</sup> Official Journal C 54, 04.03.2006, pages 13-45

### **4.3 Strategic Evaluation (65%)**

- a) **Thematic priorities 55%:** How will the expenditure contribute to national priorities and to the scheme objective. The application will be evaluated against the following criteria:
- i. **Impact** - The applicant will be assessed on the expected impact that the start-up would have on the markets / industries in which it is active (for example, operations in a saturated market segment will attract a lower score). Applications will be assessed in relation to the potential future growth of the enterprise.
  - ii. **Innovation** - The start-up will be assessed on its innovative nature with regards to the potential of the enterprise to develop new products, processes and services.
  - iii. **Operational Programme I Indicators<sup>3</sup>** - The degree to which the applicant may contribute to improving the number and quality of start-ups in Malta will be assessed.
  - iv. **Employment** – The applicant will be assessed on its potential to ensure job retention & create possible new employment in the future. The nature and skills of this potential employment will also be taken into consideration.
- b) **Horizontal priorities 10%:** Applicants must contribute to the attainment of the horizontal priority/cross-cutting themes of Environmental Sustainability and Equal Opportunities:
- i. **Environmental Sustainability** – Applicants would need to prove that they address issues such as carbon neutrality and climate change, water, waste, air quality and nature protection.
  - ii. **Equal Opportunities** – Applicants would need to prove that the costs incurred address issues such as the involvement of disadvantaged groups; increased participation of females, ensuring accessibility for all and family friendly measures.

### **4.4 Notification of results**

Successful applicants will be notified in writing of the outcome of their application. Once funding is approved, a *Grant Agreement* will be issued.

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<sup>3</sup> Operational Programme I - Investing in Competitiveness for a Better Quality of Life, Cohesion Policy 2007-2013 – Section 4.1 - Priority Axis 1 - *Enhancing Knowledge & Innovation* <http://www.ppcd.gov.mt/op1?!=1>

## 5. Further Information

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For the full definition of a small enterprise, 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>

Malta Enterprise is responsible for the implementation of a grant scheme for enterprises, which will be operating under Malta's Operational Programme I Cohesion Policy 2007 – 2013.

This Incentive Guideline is based on the rules specified in the following documentation:

- a) Malta's National Strategic Reference Framework Document, its Operational Programmes and any other implementation guidelines provided by the Managing Authority which may be updated from time to time. These are available on the website of the Managing Authority for Structural Funds [<http://www.ppcd.gov.mt>].
- b) European Commission Regulations on Structural Funds. These apply to all projects benefiting under Structural Funds and are legally binding in all Member States. The Malta Enterprise Grant Schemes will be co-financed under the European Regional Development Fund (ERDF) and the legislative guidelines which apply directly to this scheme include:
  - Regulation (EC) No. 1083/2006 laying down the general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.  
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0025:0078:EN:PDF>]
  - Regulation (EC) No. 1080/2006 on the European Regional Development Fund.  
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0001:0011:EN:PDF>]
  - National Eligibility rules as per Article 56(4) of Regulation (EC) No. 1083/2006 laying down the general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.
  - COMMISSION REGULATION (EC) No. 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No. 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No. 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund.  
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:045:0003:0115:EN:PDF>]

## **6. State Aid Rules and Obligations**

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### **6.1 Applicable State Aid**

This aid is granted under *Section 6* entitled *Aid for Newly Created Small Enterprises* of the *Guidelines on National Regional Aid for 2007 – 2013, (2006/C 54/08) (RAG)*.

The reference number of the aid scheme No. 622/2007 – Malta Small Start-Up Grants Scheme

[[http://ec.europa.eu/community\\_law/state\\_aids/comp-2007/n622-07.pdf](http://ec.europa.eu/community_law/state_aids/comp-2007/n622-07.pdf)]

### **6.2 Cumulation**

The rules on cumulation of the incentive are in line with *paragraphs 71 to 75* of *Section 4.4* entitled *Rules on Cumulation of Aid* of the *RAG*. No aid from two or more sources may be received for the same underlying cost or expenditure. All aid for regional development purposes from all sources (national and Community) must fall below the relevant regional intensity ceilings. The common component of aid for different purposes is subject to the most favourable intensity ceiling.

In terms of *paragraph 73* of the *RAG* quoted in the previous paragraph where the expenditure eligible for regional aid is eligible in whole or in part for aid for other purposes, the common portion will be subject to the most favourable ceiling under the applicable rules.

In terms of *paragraph 90* of *Section 6* entitled *Aid for Newly Created Small Enterprises* of the same *RAG*, aid provided under this scheme shall not be cumulated with other public support (including *de minimis* support) in order to circumvent the maximum aid intensities or amounts laid down.

## 7. Contact Details

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Further information on the incentive, as well as information and guidance on the filling in of the application may be obtained by contacting Malta Enterprise during office hours.

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(The official Incentive Guideline is published at <http://incentives.maltaenterprise.com/>)

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