

Investment Aid Tax Credits 2014 – 2020

Incentive Guidelines published by Malta Enterprise

Malta Enterprise published the guidelines to the new Investment Aid Tax Credit scheme (the “Scheme”) which will be operative between 1 July 2014 and 31 December 2020. Accordingly the Scheme will replace the previous Investment Aid Tax Credit scheme which was in force until 30 June 2014.

The incentive applicable under the Scheme

The Scheme entitles qualifying undertakings to benefit from tax credits which are quantified as a **percentage of qualifying expenditure** incurred in terms of the guidelines. **Such tax credits are directly offset against the tax charge of the undertaking’s business for the particular year of assessment.** In the event that part of the investment tax credit is not utilised at the end of the year such excess is carried forward to the following year and added to such year’s tax credit. Any excess tax credit which is carried forward is increased at the ‘reference rate’ as calculated by the EU Commission specifically for every year.

The tax credits range between 15% and 35% of the qualifying expenditure for projects commencing before 31 December 2017 and between 10% and 30% for projects commencing between 1 January 2018 and 31 December 2020, depending on the undertaking’s size.

What is qualifying expenditure?

The value of qualifying expenditure is calculated either as the value of:

- (a) qualifying tangible and intangible assets acquired in relation to an initial investment project; or
- (b) the value of wage costs for jobs directly created by the initial investment project.

Subject to certain conditions, in terms of an undertaking classified as an ‘SME’ an initial investment is defined under the guidelines of the Scheme as:

- A.** an investment in tangible and intangible assets related to:
 - (i) the setting-up of a new establishment;
 - (ii) the extension of the capacity of an existing establishment;
 - (iii) the diversification of the output of an establishment into products not previously produced in the establishment;
 - (iv) a fundamental change in the overall production process of an existing establishment; or
- B.** the acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller and excludes sole acquisition of the shares of an undertaking.

Other conditions apply for entities classified as **large** (employing more than 250 employees).

Types of undertakings that may benefit under the Scheme

The incentive under the Scheme is available to undertakings engaged solely in **eligible activities**. To be eligible for aid through this incentive, undertakings shall be:

- (a) duly incorporated under the Company's Act, Chapter 386 of the Laws of Malta being a partnership *en nom collectif*, *en commandite* or a limited liability company; or
- (b) any body of persons constituted, incorporated or registered outside Malta, and of a nature similar to the above; or
- (c) be duly registered as a Cooperative under the Co-operatives Societies Act, Chapter 442 of the Laws of Malta.

Eligible Activities

Undertakings will be considered to be eligible to benefit under the Scheme if they carry on an economic activity which consists solely of one or more of the activities listed below:

- Manufacturing;
- Information Technology;
- Call Centre Activities;
- Research and Development, and Innovation;
- Eco-innovation, waste treatment and environmental solutions;
- Biotechnology;
- Pharmaceuticals;
- Facilities for Filming and Audio visual productions;
- Provision of Tertiary Education;
- Provision of private healthcare services;
- Freeport and Logistics Operation;
- Hotels, resort hotels, suite/apartment hotels or guest houses;
- Knowledge intensive business services;
- Cultural Restoration;
- Large Scale cultural, creative and trade facilities;
- Industrial Packaging.

Application Process

First time applicants may submit an application for determination of eligibility under the Scheme at any time of the year. Malta Enterprise Corporation may request such information and explanations as it deems fit in order to assess whether the undertaking is eligible to qualify under the Scheme.

For further information kindly contact:

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