

Tax Credits for Micro Enterprises and the Self-Employed

Micro enterprises and self-employed persons may benefit from a **tax credit** equivalent to **45% of eligible expenditure** (subject to certain conditions). An additional bonus of 20% (total 65% tax credit) applies to undertakings operating from Gozo.

Eligible expenditure under these rules includes:

- (i) **Furbishing, refurbishing and upgrading of business premises;**
 - (ii) **Investment in acquiring machinery, technology, apparatus or instruments which enhance the operations;**
 - (iii) Capital investment in **Information Technology**
 - (iv) Purchase costs of **one commercial vehicle** incurred **over a period of 3 years;**
 - (v) **Wages costs** covering the first twelve (12) month period pertaining to new full-time jobs created as from 1st January 2013 **as long as this constitutes a net increase in the total number of full-time employees of the applicant when compared to the employment figure of the previous years. Part-time employment is eligible when such employment requires the employee to work in excess of 20 hours per week.**
- The **maximum tax credit** available is capped to **€30,000** for undertakings in Malta and **€50,000** for undertakings operating in Gozo.
 - Such capping applies for a period of three consecutive years – commencing from any credit awarded for expenses incurred in 2013 (under the previous Micro Invest Scheme). Therefore any amount of tax credit awarded to any undertaking with respect to qualifying expenditure incurred in 2013 is to be reduced from such maximum amount of credit that may be awarded for qualifying expenditure incurred during the years 2014 and 2015.
 - The benefit applies for eligible expenses incurred up to 31 December 2020. **Applications to benefit under this scheme must be submitted by the end of March of the year** (subject to certain conditions) following the year in which the eligible expenditure was incurred. Late submissions may be accepted by not later than the extended deadline (30 November) of the following year in which the expenses are incurred – however in such case the tax credit may be availed of only from the year of assessment commencing in the following year.
 - **Eligibility: main conditions to be satisfied (at the point of application) for undertakings to benefit from this Scheme:**
 - (a) The applicant must be a single undertaking that **did not employ more than thirty (30) persons** (Full Time Equivalent) and had a **turnover that did not exceed €10 Million** for the year in which the costs were incurred. The applicants must calculate their FTE on their last full financial year preceding the year in which the claimed

costs were incurred. The number of full-time equivalent employees is the total number of:

- i) The number of full time employees that were engaged for a full year in the relevant financial period; and
 - ii) The result of the total hours worked by part time employees in the relevant financial year divided by 1760 hours; and
 - iii) The summation of the days worked by full time employees that were only engaged for part of the relevant financial period divided by 360;
- (b) The applicant (in the case of a legal person) **must employ at least one (1) person** (on full or part time basis) **on the date of application. The person employed may be the applicant himself in the case of self-employed persons.** In any case such employment must be registered with the ETC;
- (c) **For any eligible expenses incurred** (except wages costs) a copy of each tax invoice or fiscal receipt (as applicable) **must be certified as a true copy by a Certified Public Accountant** and submitted with the application;
- (d) Unless exempted, applicants should be **registered** with the **VAT department**.
- (e) **Self-employed persons should be registered** with ETC;
- (f) All applicants must provide required documentation that they are **duly licensed** to carry out their trade or business;
- (g) **Applicants must not be defaulting on VAT, Income Tax, and Social Security.** No Tax Certificate will be issued by the Corporation prior to regularising the position with the relative departments;
- (h) Persons or undertakings engaged in activities specifically excluded under the *de minimis* regulations (these include undertakings active in the fishery, aquaculture sectors, the agricultural sectors and certain undertakings involved in the road freight transport sector) are not eligible for this incentive;
- (i) **This incentive is intended** to support **enterprises that carry out a trade or business**, hence it is not intended for voluntary organisations;

For further information contact:

David Farrugia
Director – Legal & Tax Advisory
E: david.farrugia@dfkmalta.com

Clinton Cutajar
Junior Manager
E: clinton.cutajar@dfkmalta.com

Roberto Sammut
Audit Senior
E: roberto.sammut@dfkmalta.com

**The objective of this summary is to outline the principal elements of the rules being summarized herein. Accordingly, it is not intended to be provided by way of comprehensive and definitive advice. Readers should seek professional advice by contacting DFK Malta Tax & Consultancy Limited before acting upon any information included in this document.*