



MALTA**FILM**COMMISSION

FISCAL AID FOR INVESTMENT IN AUDIOVISUAL FACILITIES

Investment aid for audiovisual facilities and qualifying companies is offered by Malta Enterprise Corporation. Details of the scheme are as follows.

Investment Aid for Facilities for filming and audiovisual productions shall include:

- 1 - The production of audio visual productions consisting of feature films, television films, advertisements and documentaries, as may be approved by Malta Enterprise;
- 2 - The provision of film studio and film sets, editing facilities and filming equipment required in the production of feature films, television films, advertisements and documentaries, as may be approved by Malta Enterprise.

Furthermore, companies engaged in the above mentioned activities need to have their project pre-approved by the Malta Film Commission to ensure that the applicant satisfies the minimum standard in the sector.

Incentive Description

Details of Incentive

The following rules and conditions shall apply when implementing this support measure:

Investment Aid shall be awarded to a qualifying company in respect to an **initial investment** project in relation to qualifying expenditure.

'**Qualifying expenditure**' shall mean expenditure incurred in acquiring or developing **tangible** and **intangible** assets where such expenditure is incurred on or after 1st January 2008, relating to an initial investment project comprising of any of the following:

- the setting up of a new establishment;
- extension of an existing establishment;
- diversification of the output of an establishment into new, additional products;
- a fundamental change in the overall production process of an existing establishment;

- 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.

(1) '**Tangible assets**' shall mean land, industrial buildings or structures, and plant and machinery.

Provided that:

- Land, buildings or structures exclude showrooms;
- The term 'Plant and machinery' shall have the meaning attributed to it for the purposes of the Income Tax Acts but exclude motor vehicles, except for such specialised motor vehicles as may be approved by the Corporation; works of art and antiques;

Provided further that:

- Immovable property held by title of emphyteusis; and
- Any asset acquired under a contract of hire which stipulates that ownership of the asset shall or may pass to the lessee when a specified amount has been paid,

Shall, for the purposes of this definition, be deemed to be assets acquired by the company.

(2) '**Intangible assets**' means assets acquired through the acquisition of patent rights, licences, know-how or unpatented technical knowledge.

Provided that:

For SMEs, the full costs of investments in intangible assets through the transfer of technology by the acquisition of patent rights, licences, know-how or unpatented technical knowledge is considered eligible for investment.

Provided further that:

For large companies, such costs of investments in intangible assets are eligible costs only up to a limit of 50% of the total eligible investment expenditure for the project.

Provided further that:

In all cases, **eligible tangible and intangible assets** must satisfy the following conditions:

- they must be used exclusively in the region of Malta
- they must be regarded as amortizable assets;
- they must be purchased from third parties under market conditions;
- they must be included in the assets of the company receiving the aid and remain in the establishment receiving the investment aid for at least five years or three years in the case SMEs provided that the replacement of plant or equipment which has become outdated within this five year period due to rapid technological change but provided that the economic activity is retained in the region of Malta for the minimum period;

Except in the case of SMEs and takeovers, the assets acquired should be new and in any case, first used in Malta. In case of takeovers, all aid awarded in the past shall be deducted prior to the purchase.

The acquisition of assets directly linked to an establishment may also be regarded as initial investment provided the establishment has closed or would have closed had it not been purchased and is bought by an independent investor.

Provided that:

Only the costs of buying assets from third parties should be taken into consideration.

Provided further that:

- The transaction must take place under market conditions;
- The sole acquisition of the shares of the legal entity of an enterprise does not qualify as initial investment.

Investment aid is calculated either in reference to tangible and intangible investment costs resulting from the initial investment project or to the value of wage costs for jobs directly created by the initial investment project as per rule 8 below.

Provided that:

The total amount of investment aid that may be awarded in terms of these regulations for a given investment project shall:

- in the case of a company which qualifies as a 'Small' enterprise, never exceed 50% of the eligible expenditure;
- in the case of a company which qualifies as a 'Medium' enterprise, never exceed 40% of the eligible expenditure;
- in the case of a company which qualifies as a 'Large' enterprise, never exceed 30% of the eligible expenditure.

Provided further that:

In the case of large investment projects, investment aid shall never exceed 15% of the eligible investment for the part in excess of EUR50 million and 10.2% of the eligible investment for the part exceeding EUR100 million.

Where a '**Large Investment Project**' shall mean an initial investment above Euro50million and shall have the meaning assigned to it in section 4.3 of the EU '*Guidelines on National Regional Aid for 2007-2013*'.

Such large projects need to be approved in writing by Malta Enterprise before work commences on the project.

The investment aid provided under these regulations will take the form of **tax credits**.

Provided that:

For projects that provide a significant contribution to the development of the Maltese economy, the entitlement of aid under these regulations may be exceptionally converted to other forms of aid, at the discretion of Malta Enterprise.

Provided further that:

Any conversions from tax credits shall be pre-approved by Malta Enterprise Corporation. Any aid granted in any form except tax credits must be pre-approved in writing before works commences on the project.

Where the aid is calculated on the basis of tangible or intangible investment costs, or of acquisition costs, the beneficiary must provide a **financial contribution** of at least 25% of the eligible costs, either through its own resources or by an external financing, in a form which is free of any public support.

For the purposes of this incentive, investment aid based on **job creation** shall be based on a percentage of the wage cost for the first twenty-four month period of the employment of an individual in respect of whom the job was created.

When calculating aid on the basis of **wage costs**, the following provisos will apply:

'Job creation' means a net increase in the number of employees directly employed in a particular establishment compared with the average over the previous twelve months. Any jobs lost during that twelve month period must therefore be deducted from the apparent number of jobs created during the same period.

A job is deemed to be directly created by an investment project if the job is directly connected with the activity to which the investment relates and is created within three years from the completion of the investment. Jobs created shall also include additional employment following an increase in the utilisation rate of the capacity created by the investment.

Where the aid is calculated on the basis of wage costs, the posts must be filled within three years of the completion of the works. Each of the jobs created through the assisted investment must be maintained in Malta for a period of five years from the date the post was first filled.

Provided that:

In the case of SMEs, the jobs created are maintained for a minimum period of three years.

An enterprise shall be considered to have created a job as a result of an investment project for those individuals who are employed by the company and not in replacement of another individual.

For the purposes of determining whether jobs have been created, individuals who are employed by the company on a part-time basis shall be deemed to be a number of full-time employees as is produced by dividing the number of hours worked by such part-time employees by one thousand, seven hundred and sixty.

Provided that:

Where the accounting period ending in the year preceding a year of assessment is more or less than twelve months, the number of hours worked by part-time employees shall be divided by an amount which shall be arrived at by dividing the amount of one thousand seven hundred and sixty by three hundred and sixty-five and then multiplying the result by the number of days comprised in that accounting period.

Provided further that:

The amount of investment aid provided to a company in the form of a tax credit shall be based on the wage cost incurred by that company in the accounting period ending in the year preceding that year of assessment.

For the purpose of determining whether an individual has been employed by a company for the required period as specified in (iii), it shall be deemed that the date of commencement of employment of an individual who has been employed by that establishment in replacement of another individual whose employment was terminated for whatever reason, shall be the date of commencement of employment of the individual whose employment was replaced, provided that any such individual is employed within six months of the date of termination of employment of the individual whose employment is replaced.

Any tax credits awarded under this incentive shall not give rise to a right of any tax refund (not applicable to any tax overpaid). Any tax credit that is not absorbed in a particular year of assessment may be carried forward and shall be increased at the rate established as the applicable 'reference rate' for Malta as calculated by the EU Commission in accordance with Commission notice on the method for setting the reference and discount rates. The applicable rate is currently 5.19%.

Where, for a year of assessment, an undertaking qualifies for a tax credit under the provisions of these rules, it shall avail itself of any tax credit awarded under the Business Promotion Act before any set-off is made in respect of the tax credit due under these rules.

No tax credit shall be due to an undertaking for a year of assessment unless:

- it is claimed in the appropriate section of a tax return submitted by electronic means;
- it submits the annual returns to Malta Enterprise as set out in Guideline 4.1 within a period not exceeding one month after the relative tax return date.

Application Process

Application form(s) and documentation required

All application forms and documents may be downloaded from:

First time applicants may submit an application for determination of eligibility under this incentive at any time of the year (**refer to Section 5**). Companies will be required to download the relevant application form(s) from the Malta Enterprise website incentives.maltaenterprise.com or otherwise by contacting Malta Enterprise.

Annual returns required

A company shall only be entitled to benefit from the investment tax credits if for every year of assessment in respect of which it claims such tax credits, it submits:

i). **Audited financial accounts**

ii). **Income Tax Return**

iii). Returns must be accompanied by a **statement by the auditor** of the company for the accounting period in question, confirming that, to the best of his knowledge and belief, the declaration referred to in (iv) below is correct

iv). **Declaration**, signed by all the directors of the company or by the company secretary where such declaration is approved by the Board of Directors of the company, confirming that throughout the relevant accounting period the company's trade or business consisted solely of the activities eligible for the incentives provided by this Guideline and that the company is not disqualified from benefiting from the incentives provided by this guideline by virtue of any of the disqualifying activities listed under the proviso to Regulation 3(1) of the Legal Notice giving rise to these Guidelines. Where the declaration is signed by the company secretary it shall also state:

- whether all the directors of the company were present at the meeting approving the declaration and, if not all the directors were present, whether the meeting was properly convened as required by the company's memorandum and articles;
- whether the declaration was unanimously approved by all the directors present at the meeting and, if approval was not unanimous, the number of votes against and the number of votes for the motion.

vi). In the case of personnel costs the enterprise must backup these claims through the official Final Settlement System **FSS forms** and time sheets where applicable.

Malta Enterprise may require other relevant documents to verify the claims under this incentive.

Duration of the scheme.

This incentive comes into force in fiscal year commencing on 1st January 2008 and will apply to expenditure incurred on or after 1st January 2008 and will be reviewed after 31st December 2013.

The incentive may be reviewed in line with any revisions of the **Guidelines on National Regional Aid** or other relevant state aid regulations.

Legal Basis

These Guidelines are issued pursuant to Article 8(3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta

The Legal Notice entitled 'Investment Aid Regulations' provides the parameters of the aid awarded under this scheme.

The aid intensities for investment aid and the general conditions are in line with the Commission Regulation (EC) No 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to National Regional Investment aid (Block Exemption Regulation for Regional Aid – Official Journal L 302 of 01.11.2006, p. 29).

This Aid Scheme has been registered by the Commission under the Regional Aid Block Exemption Regulation (EC 1628/2006) with reference XR10/2008.

Designated Authority

This incentive is administered by Malta Enterprise Corporation.

Pre-conditions to be satisfied by the *applicant*

Applicants must comply with the following additional conditions in order to be eligible:

be 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

any body of persons constituted, incorporated or registered outside Malta, and of a nature similar to the above;

or

be duly registered as a Cooperative under the Co-operatives Societies Act, Chapter 442 of the Laws of Malta.

General Information

The completed form(s) and any relevant documentation should be submitted by hand or posted to:

Malta Enterprise
Enterprise Centre,
Industrial Estate,
San Gwann SGN3000

Please note that for purposes of tax credits, we support only the company engaged SOLELY in the PRODUCTION of audiovisuals or providing FACILITIES. Companies engaged in marketing and sales of audiovisual or in general marketing are not covered.