

Frequently Asked Questions

Application Stage

1. What is meant by “digitally enabled business idea”?

The solution representing the business idea must be based or delivered using digital technology at its core. For example, a business idea based on an artifact that solves a particular problem or a service using technologies other than digital, would not be considered a digitally enabled business idea. On the other hand, if the startup has conceived a new service which is delivered using the Internet or other new or known digital technologies, then that would qualify it as a digitally enabled business idea.

2. Can foreign startups participate in this call?

Yes, as long as the startup is either already registered in Malta, or accepts to register as a business undertaking in Malta once it is selected for funding under the YouStartIT programme. Members of non-EU startups, however, may be required to apply for a residence permit to be able to register as a business undertaking or open a bank account. This may take some time and could be subject to other conditions. It is best to enquire about your position with [Identity Malta](#), [Business First](#) or with some other business advisory services firm before applying. The MIH will endeavour to provide more details about this in subsequent versions.

3. Can I apply without engaging in any pre-acceleration activities?

Yes. The process of pre-acceleration (i.e. the period when applications are open for submission) is not mandatory to follow. However, if you are an inexperienced team, opting not to engage in these activities may disadvantage you. Not because we will deliberately disadvantage you, but because you will be missing out on important knowledge and insights which our online material could give you to help validate your business idea.

4. Why does my startup need to consist of at least three members?

We would like to ensure that the startup has sufficient capacity to complete its proof-of-concept within a short timeframe, usually 16 weeks. Besides we would like to ensure there is multi-disciplinarity and complementarity of skills within the team in order for it to be credible.

Shortlisting, coaching and pitching

5. What is the purpose of shortlisting, and the subsequent coaching period?

Applications are shortlisted to facilitate the final judging process due also to the sheer numbers submitted. The shortlisting process is done by the MIH and may involve international judges, typically experienced entrepreneurs. The coaching period is the interlude between the communication of the ten shortlisted finalists and the day of the final pitch before the judges. Its purpose is to allow the MIH to get to know the startup and its business idea better, and to prepare the startups for the next phase of acceleration, the intake period. Refer to the next question.

6. What happens during the Coaching stage?

After being shortlisted the cohort of ten finalists are asked to attend one-to-one interviews to allow the MIH team to get to know them and their business idea better, to understand what kind of validation process they have engaged in, whether they already have a prototype, etc.

The shortlisted startups are then given the opportunity of pitching their idea before the rest of the cohort members and a coach and mentors to give them feedback in preparation for their pitch. There may be other support activities such as an “incorporation insights” session to prepare the startup for formalisation into a business undertaking, a session on opening of a bank account, an ad hoc Meetup, etc.

Participating in the Coaching stage is mandatory. Team that do not engage in this stage will not be allowed for to participate in the final pitch. The MIH will consider remote means to allow foreign startups to engage in this process. However, the MIH will not accept any responsibility for failing connections or other technical issues that may hinder the engagement.

7. What should we expect from Pitch day?

Each team is expected to pitch their proposed idea and concept to a panel of judges before all the other competing startups to be selected. The pitch may be open to stakeholders invited by MITA. This is a condition that all startups have to accept since MITA wishes to promote openness of ideas and the possibility for ideas to be enhanced or combined with other ideas, even if they will end up not being selected for funding. Pitch day is therefore the event when all the startups take their turn at pitching before the judging panel. Each pitch will last five minutes followed by a question-and-answer session. To avoid the confusion of conflicting formats startups will be informed what presentation software to use (typically PDF or Google Slides) deliver their pitch to the judges.

Intake Stage (acceleration)

8. How can my startup develop, test and deploy a prototype within a 16-week time window?

Developing a prototype (typically your Minimum Viable Product) is an opportunity for you to learn about the problem you wish to solve, learn about the customer and the selected market niche. Ensure you are realistic when designing the prototype. It may therefore pay you to

focus only on those key features which will enable you to get the feedback that you need to test your assumptions and stop you from investing effort for nothing. Then as you go along you may want to start adding new features using rapid prototyping approaches. We may ask you to indicate what features you wish to develop to help you rationalise the effort that you may want to put in. Bear in mind that if you want to be serious about executing your business idea you would be expected to put in at least 20 hours a week into your YouStartIT project.

9. What kind of mentorship will the MIH provide?

The MIH has its own in-house mentor who is an experienced startup founder and entrepreneur. You would be having short weekly or fortnightly one-to-one meetings with him in line with what is stated in the Letter of Award, or agreed with the MIH. We can also put you in touch with other external mentors from our portfolio of mentors through meetups and other activities . Should you have a particular requirement we will use our best endeavours to provide any extraordinary support or mentorship needed in specific areas, such as marketing, UX/UI, Blockchain, etc.

10. What are the reporting obligations I have to fulfill?

We cannot advise you and cannot assess where you are with your project milestones if you do not update us on progress, so you will be asked to report on your activities using specific project/task management tools in use by the cohort and as directed by the MIH management team. We also expect that a project of complexity as a business venture cannot be adequately controlled and managed by the startup without some degree of structure and measure. The reporting demands we mandate are not onerous, and if your reports are clear and meaningful, it could be sufficient to just give us online access or a copy of what you already keep.

You should be aware of the reporting obligations specified in paragraph 5 of the Letter of Award, particularly subparagraphs 5.2 and 5.3. The details we ask for are details you would normally have to submit in your personal income tax (partnership) or corporate tax returns (company).

11. What happens if I delay or fail to submit a report or attend a one-to-one or cohort meeting?

Delays or a failure in submitting your reports or attending such meetings are a breach of your contracted Startup Responsibilities. If no extenuating circumstances are presented and accepted by the MIH such delays or failures may result in termination of the contract and forfeiture of all or part of the remaining balance of the cash grant as per subclause 11.1.

12. Clause 11 of the Grant Terms & Conditions appended to the Letter of Award mentions suspension or repayment of the grant in exceptional circumstances. What is the exact meaning of this?

MITA is a government entity and, as such, is disbursing tax-payers' money for which it is accountable like any other government organisation. MITA therefore cannot disburse funds to be used for purposes other than for building and developing the project and for helping the

startup achieve its entrepreneurial vision. If in the opinion of MITA, the startup is acting in a fraudulent manner, is ill-intentioned, negligent or risks casting MITA in disrepute (refer to the list of reasons (1) to (8) in subclause 11.1), MITA can terminate the project, and if the circumstances so warrant even request a reimbursement of any funds paid out. We also strongly recommend that the startup keeps, as evidence, a record of all justifiable expenses incurred, and a log of all the time and labour effort contributed by the startup founders to develop the project.

13. What if the project fails? Will the startup still receive payment?

The MIH reserves the right to stop the project at any stage (clause 14 of the Grant Terms and Conditions) with one month notice. Furthermore, clause 11 of the same lists a number of reasons why this could happen (subclause 11.1). These are safeguards to ensure that the startup is serious and well-meaning in its intentions, and that therefore the funds are spent judiciously. If the proof-of-concept fails to achieve its objectives due to factors or circumstances beyond the startup's control, and MITA is satisfied that there are no circumstances which point to any of those listed in subclause 11.1 (1) to (8), then there is no reason why any costs incurred until termination, should not be disbursed to the startup.

14. Will the startup really own the Intellectual Property (IP) of the product, if MITA wants to be granted a non-transferable, perpetual, royalty free and non-exclusive license in the event that the project concerns a Government service?

Yes, the startup will always own the IP and is free to commercialise it once it succeeds to realise its entrepreneurial vision. Subclause 7.2 is a safeguard to ensure that in cases when the prototype being experimentally developed is targeting an area of interest to government or public administration (e.g. education, healthcare, transport, etc), and the startup disbands or goes out of business, any benefits accrued can continue to be maintained and extended. In such circumstances MITA or the Government of Malta would be able to commission a third party to continue to maintain or extend the functionality of the launch version of product on their behalf. However, the startup shareholders will still retain legal title to the IP.

15. Can a startup utilise resources outside the team?

Yes, the startup may, at its discretion, source external help to build the app. When employing or contracting external resources it is mandatory that the startup follows the relevant legal process for registration of the resources (VAT, JobsPlus, etc.). Selected startups should keep a record of all costs incurred, including receipts and invoices. The startup must ensure that any IP developed by third parties on its behalf is formally and unequivocally assigned to the startup, and it does not infringe any IP laws. The startup founders should be aware that the cash grant of €15,000 constitutes the only disbursement of funds made available for the proof-of-concept.

16. Do all the members of the startup have to be startup founders?

No, you do not all have to be startup founders having equal ownership or IP rights. It is up to the startup to decide this. The startup must above all satisfy the criterion of minimum three members for the reasons explained in FAQ No. 4. A startup founder may opt to either

employ or contract the second, third or more team members. The MIH will require the founder to present evidence of employment or subcontracting arrangements.

17. Is a team allowed to work with virtual team members?

Technically this is possible as long as the startup is registered as a business undertaking in Malta, it has satisfied the MIH requirement of multi-disciplinarity, and at least one founder is available to attend meetings and other activities organised by the MIH in line with the Startup Responsibilities and Social Impact Programme in the Letter of Award. The startup still needs to produce evidence of either an employment or contract of service when engaging staff to fulfil the minimum requirement of three members.

18. How does the Social Impact Programme (SIP) work?

The Social Impact Programme has been designed to ensure startups return some value to the local startup ecosystem and help make it more dynamic. In brief, you should ensure to organise a sufficient number of activities to collect enough points that will entitle you to receive the full payment of the final instalment of €6,000. The rules are clearly explained in Appendix C of the Letter of Award.

Administrative and Financial

19. When will the cash grant be disbursed and how do I trigger the process?

The Letter of Award articulates how the cash grant will be disbursed, namely:

- A. €1,500 one month from signing of the Letter of Award and presentation of a power of attorney authorising the Project Co-ordinator to accept the payment on behalf of the startup; this step has been introduced to offset the eventuality of a longer process needed to open a bank account.
- B. €2,500 upon completion of formalisation into a business undertaking and opening of an active bank account; if the startup is already formally registered as a business undertaking step A can be skipped and the startup can immediately request the disbursement of €4,000.
- C. €5,000 upon submission of test results of an alpha version of the prototype, unless otherwise stipulated in the Letter of Award; Alpha version testing would be testing done within the team to identify bugs and issues prior to release of a version of the prototype to customers/users (beta); in cases where the startup already has a prototype at the startup of the project, disbursement of this instalment will be disbursed against beta version testing of the product, or against another deliverable as agreed with the MIH (e.g. a marketing strategy)..
- D. €6,000 upon completing the Business Plan together with a Final Report which should include the outcome of beta tests and user feedback, as well as a background of the project, a high level description and diagram of the main architectural components, lessons learned and any recommendations for future work. The amount disbursed will depend on how many points the startup has collected in the Social Impact Programme (SIP). Ensure you understand how the SIP works by reading Appendix C of the Letter of Award.

20. How long will it normally take to receive the payment after I submit the Payment Request?

Expect a turnaround of usually not more than 15 days from the day the payment is approved by MITA's Finance Department. The MIH management team will inform you if there are issues in the documentation presented. Typical cases of documentation that is found not to be in order include (i) a Business Plan that pre-dates an alpha report - this would mean that the outcomes of the tests did not inform the Business Plan (ii) no explanation of context to the tests (iii) no evidence of ownership of IP by the startup (iv) missing letters of engagement of contractees (v) missing evidence of the prototype or MVP itself.

21. Are all team members required to sign the Declaration Of State Aid?

Yes, provisionally, all team members need to sign the Declaration Of State Aid. If the startup is already formalised as a Limited Company, however, the legal representative(s) [of the company] signature is enough.

22. Why is a General Partnership the recommended form of incorporation?

A General Partnership, typically *en nom collectif*, registered with the Malta Financial Services Authority, is the closest equivalent to a Founders' Agreement in which a startup would normally state crucial understandings such as contributions to the partnership, ownership of background and foreground IP, future exits of partners, decision taking, authority, etc. This is vital to avoid and safeguard the partners from any future disputes, which are not so uncommon in risky ventures of uncertain outcome. However, if later the startup's business idea succeeds and gains traction, and the team wants to raise further funding through angel investment, then incorporating into a Limited Liability Company is the only way to go.

This approach is being recommended for early stage startups as it may suit them better to first test their product on the market and gain some traction, rather than having to incorporate into a company, and subsequently incur unnecessary and onerous dissolution costs should their idea fail. The MIH will still broker support by its partners for actual incorporation if a startup opts for a Limited Liability Company.

Only in exceptional cases will we consider a Sole Trader as a form of business undertaking.

23. Is the grant taxable?

Yes, the grant is taxable and must be included in the personal tax returns for startups trading as Partnerships or Sole Traders. If the startup is a Limited Liability Company, company tax laws will apply accordingly, and it is best that you seek advice from your accountant.

24. What templates are available?

Payment request templates are available in the Supporting Materials section of the MIH website landing page. Other templates such as a Letter of Engagement, Power of Attorney or General Partnership can be made available upon request.