



The Micro Business Grant Scheme

Guidelines

ISSUED BY THE DEPARTMENT FOR ENTERPRISE

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Introduction

The Department for Enterprise (DfE) recognises that the establishment and development of new small businesses is essential to a diverse and successful economy. Encouraging entrepreneurship and innovation through appropriate financial and business support schemes will help grow the economy and encourage new job creation.

As part of the Programme for Government, the Government's strategy for achieving economic growth and sustainable development, the Micro Business Grant Scheme supports individuals wishing to take their first steps into self-employment.

These revised guidelines increase the turnover limit to £100,000, remove the requirement to work 30 hours per week in the business and add increased flexibility in terms of mentoring meetings and grant equipment lists etc.

The Scheme is underpinned by the Enterprise Act 2008 which gives the Department statutory authority to provide financial assistance (and other forms of assistance) to an 'eligible business' where, in the Department's opinion:

- “(a) the eligible business undertakes or will undertake an economic activity in the Island;
- (b) the assistance is likely to encourage sustainable economic growth in the Island;
- (c) the form and amount of the assistance is reasonable having regard to all the circumstances.”

In order to be eligible for financial assistance from the Department, an eligible business must meet the criteria set out in the Enterprise Act 2008 (Eligible Businesses) Regulations 2018.

Further information about each Scheme is set out below.

Note that the Department provides other forms of grants and assistance, details of which can be found at www.gov.im/enterprise

For further advice and guidance regarding the Department's grants and assistance Schemes and their eligibilities, including the Micro Business Grant Scheme, potential applicants are encouraged to complete the online enquiry form hosted at www.gov.im/businessenquiries

Disclaimer

The information contained in this document is intended to be general in scope and should not be relied upon as advice.

Provision of financial assistance is discretionary and the decision to provide assistance in any particular case will be based on the merits of the case.

The Department may amend these Guidelines from time to time. While every effort has been made to ensure that the content is correct and up-to-date at the time of publication, the Department does not accept any responsibility, legal or otherwise, resulting from any errors or omissions and shall not be liable for any losses or damage that anyone may suffer as a result of relying on the information contained herein.

Prospective applicants may wish to take professional advice before making an application and should seek advice in relation to any documents they are asked to sign whereby they offer security for any financial assistance offered to them.

Acceptance onto the Micro Business Grant Scheme does not mean that either the Department or the schemes' business advisers (who are independent contractors) consider a business to be a sound and viable proposition neither does the Department or its advisers underwrite any business. Neither of these two parties is responsible if the business fails nor will they meet any debts or liabilities incurred.

1. THE MICRO BUSINESS GRANT SCHEME

1.1 Purpose and Scope

The purpose of the Scheme is to help foster local enterprise, help individuals take their first steps into self-employment and to assist in the creation and growth of small, viable, quality businesses on the Isle of Man.

The Scheme is open to undertakings in any economic sector with turnover of more than £5,000 and less than £100,000 per annum. The Department may give financial assistance in respect of the start-up phase or during the first 18 months of the commencement of trading.

A maximum of £6,000 financial assistance may be offered to all successful applicants, while businesses with proven demand in export driven sectors may be eligible for enhanced financial assistance of £15,000. In either case, assistance may be by way of a grant and/or a weekly living allowance (see further at 1.7 below).

In addition, an applicant to the Scheme whose business generates additional employment (other than the owners) may be eligible to apply for a further grant of up to £10,000.

1.2 Overview of Available Support

The Scheme offers four levels of support:

1) Training

The training will help applicants consider their business idea and develop their business plan. Approximately 21 hours of training are provided, split into two parts, with a 2-3 week break to allow applicants to work on their business plan. In recognition of applicants varying circumstances there are three different delivery models scheduled throughout the year:

Mornings - Monday to Thursday, 09:30 -13:30 (six sessions)

Twilight - Monday to Thursday, 16:00-20:00 (six sessions)

Weekend plus - Thursday & Friday, 14:00-18:00 & Sat 09:00-18:00 (five sessions)

2) Action Planning Meetings

Following completion of the training, applicants will meet with a business adviser for action plan meetings, to further work on their business plan, confirm eligibility and determine the viability of the business idea.

3) Financial Assistance

This comprises a discretionary grant which may include a weekly living allowance. Financial support is conditional on recipients entering into a contract with the Department.

4) Business Advisory Service

Applicants who are awarded financial support will be allocated a business adviser who will provide advice and support for normally 18 months through quarterly mentoring meetings.

An approximate timeline of the above can be found via <https://www.gov.im/categories/business-and-industries/business-support-and-assistance/micro-business-grant-scheme/>

1.3 Eligibility

To be eligible to be considered for funding or support under the Scheme the applicant's business must be an 'eligible business' as defined in the Enterprise Act 2008 (Eligible Businesses) Regulations 2018.

In addition an applicant must -

- have either not yet started their business; or been in business for less than 18 months;
- have an actual turnover of less than £100,000 over the last 12 months if the business is already in operation, or if the business is not yet in operation the forecast turnover for the first year's trading must be less than £100,000 (if applicants are unsure of their forecast turnover this will be determined during action planning with an adviser before any contract for financial assistance is offered);
- have a minimum turnover of £5,000, calculated on the same basis as the maximum turnover stated above;
- be resident on the Island for income tax purposes (under the provisions of the Income Tax Act 1970);
- be an "Isle of Man Worker" (under the Control of Employment Act 2014), hold a valid work permit in respect of their intended business activity, hold an automatic permit, be in exempt employment where no permit is required or else hold an "immigration employment document" as defined under the Control of Employment Regulations 2017. Applicants requiring a Work Permit to undertake the business for which support is being applied, must obtain a Work Permit for that business before being allowed to attend the training course;
- be at least 16 years of age (applicants under the age of 18 will require a parent/guardian to stand as guarantor);
- be in control of the business, (that is, owning 50% or more of the business);
- comply with any legal requirements in operating their business; and
- have the relevant skills, experience or qualifications to carry out the proposed business.

The application will normally be rejected if the applicant -

- operates a business which is the same as or substantially similar to a business he or she has operated within a five year period from the date of the application; (an exception may be made to this requirement in the case of a business in an emerging technology sector);
- operates a labour only service predominantly or exclusively to a single contractor;
- buys into an existing business (Exemptions may apply, please contact the Department to discuss);
- operates a business which is contrary to the laws of the Island or which may bring either the Department or the Scheme into disrepute;
- has Income Tax or National Insurance arrears;
- has an unspent criminal conviction under the Rehabilitation of Offenders Act 2001¹ which, in the view of the Department, is potentially relevant to the decision as to whether or not to support the particular application.

1.3.1 Uncertain eligibility and ineligible applicants

The Department, at its discretion, may allow applicants who are unsure of their eligibility via the criteria set out above to attend the Scheme's training course and, if eligibility is still unclear, three action plan meetings. Following this, the Department will make a decision on the viability of the business and the applicant's eligibility for funding, before any contract is offered.

For ineligible applicants, training will be permitted and an officer of the Department will consider whether any further support in the form of action plan meetings or mentoring meetings is appropriate.

¹ See further at <https://www.gov.im/categories/working-in-the-isle-of-man/rehabilitation-of-offenders/>

Important note:

Contracts are offered entirely at the Department's discretion, and even if an applicant is eligible via the criteria set out above, applications are reviewed on a case by case basis on their own merits with no guarantee of a contract being offered.

1.4 Main Terms and Conditions of the Scheme

The applicant must comply with any legal requirements for the operation of the business. Some requirements are set out in the Enterprise Act (Eligible Business) Regulations 2018, but for the avoidance of doubt this includes legislation and regulations that applies to all businesses such as:

- income tax;
- national insurance;
- VAT;
- any other taxes and or duties payable on the Island;
- health and safety regulations;
- planning regulations;
- employment legislation;
- immigration and work permits.

Applicants must disclose any instances of non-compliance with the law in any of the above respects which may have occurred in the year preceding the date of application.

The applicant must also:

- produce a business plan, (including cash flow and profit & loss forecasts, based upon market research) which the Department considers to be potentially viable;
- co-operate with his/her business adviser, attending all mentoring meetings as scheduled, and providing financial accounts for each meeting for a period of normally 18 months from the date of the contract signing;
- make their business adviser aware of any changes in his/her circumstances of a substantive nature;
- hold a business bank account in respect of the business. In exceptional circumstances the Department will consider allowing applicants to operate via a separate personal account, however the reasons why a business account cannot be opened must be explained, and evidence that the holding bank is aware that the account is being used for business purposes must be submitted;
- co-operate fully in the evaluation and future marketing of the Scheme;
- sign an agreement to abide by all the terms and conditions.

Further conditions and obligations attached to allowances and grants and the exceptional circumstances under which grant assistance might become repayable are set out in the Department's contract with successful applicants.

1.5 Training

Once the application form has been received and the Department has established that the applicant meets the eligibility requirements, the applicant will be invited to attend the training course. Attendance on the training course is available to everyone, whether the applicant is eligible or not, subject to pre-attendance vetting.

The training courses are available as a series of Mornings, Twilight or Weekend Plus sessions (see 1.2) and the applicant will be able to select their preferred option.

The training is intended to help prepare applicants for the day to day aspects of running a small business, confirm eligibility and viability and assist the applicant with the legal aspects of starting a small business.

Training courses take place monthly and applicants are given sufficient notice to arrange attendance. Applicants are required to attend the full course of training,

If the business has already started trading it may seem impractical or even unprofitable for applicants to attend the training, but the training should be regarded as an investment that provides applicants with a firm foundation on which to build their business. In exceptional circumstances, where the applicant has a well-developed business plan presented during the training phase, the trainer may allow the applicant to be fast-tracked to the action plan meeting phase.

The course covers the following topics:

Mind-set (M1)

- practical considerations of self-employment;
- being a successful entrepreneur;
- information regarding what assistance is available under the Scheme and other assistance which may be available from the Department;
- professional assistance.

Market (M2)

- assessment of the business idea and its viability;
- marketing the business and how to undertake market research;
- competitors;
- Four P's of Marketing and Marketing Mix.

Money (M3)

- an initial introduction to the financial aspects of starting a business;
- the importance of "seed capital" and how to raise finance for the business;
- profit and loss; cash-flow forecast; break-even; credit control;
- VAT, Income tax, and National Insurance;
- business record keeping;
- financial records which are essential to the business.

Must Do (M4)

- registering a business name;
- types of business and company structures;
- legal issues;
- insurance issues;
- cybersecurity.

Making it Happen (M5)

- Business planning;
- selling skills;
- customer relations;
- business growth;
- networks;
- staff & premises.

1.6 Action plan meetings

On completion of the training course, applicants will be allocated a business adviser who will arrange to meet the applicant for the purpose of developing a business plan. Three meetings are authorised as standard by the Department, however if this is more than is necessary applications can be accepted following one or two meetings. At its discretion and upon advice from the business adviser, the Department may authorise more than three action plan meetings if it is felt that these are required.

During these meetings, business advisers will:

- encourage applicants to think through their business idea;
- ensure they have a clear picture of the market and the competition;
- ensure they are fully aware of the level of commitment that is required;
- assist applicants to complete a personal survival plan.

Following the action plan meetings, the business adviser will carry out a Business Plan Assessment of the completed business plan and make a recommendation to the Department as to whether or not financial assistance should be awarded. When making this recommendation, the adviser will take into account the following:

- demand and competition;
- the applicant's financial situation (business and personal survival plan);
- the applicant's qualifications, skills and experience;
- the viability of the business;
- the commitment of the applicant and the time he or she has available;
- matters such as business premises, equipment that may be required, insurance etc.

1.7 Financial Assistance

If the Department considers that an applicant has a viable business proposition, funding may be offered in the form of a grant which can be used to reimburse purchases, as a weekly living allowance or a combination of grant and living allowance up to the relevant amount.

Standard support

Financial assistance is awarded by the Department on a discretionary basis and is capped at £6,000 for standard applications, with no economic sector restriction applied.

Enhanced support

Applicants may be eligible for enhanced financial assistance of up to £15,000, should they meet the eligibility criteria set out above and meet further conditions. The most critical of these is to be in an export driven sector with substantial sales being made to off-Island customers. If the majority of the business' sales are to on-Island customers with no imminent plans to export, the business will not be eligible to apply for enhanced funding. These eligible sectors are defined within Financial Assistance Scheme Guidelines Appendix 1 which can be found at <https://www.gov.im/fas>

Applicants for enhanced funding will be required to submit additional information alongside their business plan. This includes three year financial forecasts, employment creation forecasts (if applicable), with a narrative of all assumptions made. Exporting businesses with need to evidence off-Island sales to date and future projected off-Island sales.

If a business reduces the import of goods or services to the Island it may also be considered for enhanced funding under import substitution. This will be determined on a case by case basis taking into consideration matters such as the availability of the service or product from on-Island businesses, whether it has a negative impact upon existing local businesses, market demand, job displacement, how it helps grow the economy etc.

A report undertaken by the Social Affairs Policy Review Committee highlighted the acute shortage of nursery and child care facilities for 0-5 year olds and in particular the under 2 provision and makes clear the need for the Department of Health and Social Care, Department of Education, Sport and Culture, Department for Enterprise and Treasury to work together to develop an holistic strategy to start to address the issue. The shortage of nursery and childcare facilities is a factor that can inhibit economic growth as it potentially prevents parents returning to work and is often seen as a barrier by new workers looking to relocate to the Island. Enhanced support is therefore available for child care providers and nurseries.

The Department's decision as to whether a business is eligible for enhanced support is final. Should a business not be eligible for enhanced support a standard application may still be made, provided that all other eligibility criteria are met.

1) Grants

At contract signing stage, the applicant must carefully consider which items are required for grant consideration. A justifiable overall total value will be required. It is important that applicants carefully consider this, as if approved, this is incorporated into any contract offered and will only be amended in very exceptional circumstances.

The Department can offer a grant to help towards the start-up costs for an applicant's business. Funding of £6,000 is available for standard applications and £15,000 for enhanced applications, if no living allowance is taken in either case. The applicant is required to fully fund and complete the purchase of the item, before seeking reimbursement from the Department for 50% of the eligible costs.

Important notes:

- all grant claims must be submitted within 6 months of the contract signing date;
- only purchases made after the submission of the application form can be supported;
- grant payments generally take place 2-3 weeks following the submission of the grant claim form;
- receipts must be supplied in all cases.

The grant can be used towards the following:

- capital equipment for the business;
- marketing and advertising;
- website development;
- assistance to gain national quality standards;
- environmental management systems;
- software to support the business e.g. book keeping/accounts software.

The grant cannot be used towards the following:

- any recurring costs such as insurances, rent, stock, wages or bills, including the first instance of any of these items;
- Government fees.

2) Weekly living allowance

Depending on personal circumstances, some applicants may be eligible for a weekly allowance of £100 a week for a maximum of 60 weeks (up to a total of £6,000). This means that 100% of the financial assistance available to standard applications is available in the form of a living allowance, while for export-based applications, £9,000 would potentially remain to be claimed as a grant.

1.8 Mentoring

An applicant who is offered financial support will be required to sign a contract with the Department.

Following this, the applicant's business adviser will undertake a mentoring role meeting the applicant 6 times on usually a quarterly basis for a period of normally 18 months to provide ongoing advice, guidance and support. Although the standard period of adviser support is 18 months, this can be reduced to 12 months or increased to 24 months in exceptional circumstance and only with the prior agreement of the Department on/before the contract signing stage. Although it is intended that 6 mentoring meetings are held quarterly, the Department understands that a business' situation can change and additional or more frequent meetings can be urgently required to meet those changes in circumstances. Therefore, flexibility in terms of meeting scheduling and quantity of meetings will be allowed, in exceptional circumstances, with the prior agreement of the Department.

The adviser will ensure that the applicant is complying with the terms and conditions of both the Scheme and the contract and will review the businesses progress against the business plan and review the viability/eligibility/legality of the business.

Important notes:

- only equipment purchased after the submission of the application form is eligible for grant assistance;
- in the event of an applicant defaulting on the terms of his/her contract, grant payments will be repayable to the Department;
- The Department may make the financial status of the applicant a factor in its decision as to whether or not to provide funding, particularly with reference to the living allowance;
- The Department reserves the right to withdraw its support in exceptional circumstances. In such cases the Department would provide reasonable notice and specify the reason for the withdrawal of support;
- The Department will also contact the Treasury with regard to National Insurance, ITIP and Income Tax, to ensure there are no outstanding Government debts. Further checks may also be made subsequently before grants are paid. Applications will be placed on hold until any debts with Government departments are cleared.

1.9 Employment incentive

Successful applicants under the scheme regardless of their economic sector, can apply during their contract period or in the 12 month period following the completion of their contract, for a further grant of up to £10,000 based on employment generation (excluding employment of the owner /original applicants). Applications for this incentive must be received and approved before the staff member starts work. If successful, this grant is paid 12 months after one or more employees commence working in the business.

The grant is based on 20% of the net salary of the employee. Net salary is defined as after income tax and employee's national insurance contributions.

The employee must be paid at least the living wage in force at the time of payment (Important note - not the minimum wage), be working a full time position, i.e. at least 30 hours per week and in permanent employment.

The business may reapply for multiple positions of employment within the claim period stated, however the total amount a single business may claim under the incentive is £10,000.

Upon completion of 12 months of continuous employment by the same employee, the Department will require wage slips or equivalent evidence of the amounts paid to the employee, before any grant payment can be made.

1.10 Public disclosure of financial assistance paid

It is a statutory requirement that details of the total value of financial assistance paid out under the Scheme be published in an annual report prepared by the Department which is laid before Tynwald (the Isle of Man's Parliament).

Applicants should also be aware that both parliamentary and freedom of information questions may be asked about particular applications or applicants.

1.11 Application Form

The Application Form is available at www.gov.im/micro

Applicants should read the above terms and conditions (see section 1.4) before submitting an application to the Department.

Completed application forms and supporting documentation should be either emailed to enterprisesupport@gov.im or sent to:

**The Micro Business Grant Scheme,
Department for Enterprise,
St Georges Court,
Upper Church Street,
Douglas,
Isle of Man
IM1 1EX**

1.12 Disclaimer

The Micro Business Grant Scheme operates entirely at the discretion of the Department for Enterprise. An applicant's eligibility under the Scheme will be assessed from information submitted by the applicant and via advice from the small business adviser following action plan meetings and submission of the Business Plan Assessment. If an applicant is deemed eligible, applications for financial support are reviewed on a case by case basis and can be declined by the Department for any reason it deems fit.

The offer of any financial assistance is entirely at the Department's discretion. The Department is under an obligation to process and consider all applications reasonably, but it is not under any obligation to make any payment.

Any offer of financial assistance is also subject to availability of Department funds.