No. 388

MALTA BUSINESS REGISTRY

Explanatory Notes[1]

Introduction

Title of Legislation	Companies Act (Youth Enterprise) Regulations, 2026 (hereinafter referred to as the "regulations")
Activity to be regulated	The primary activity governed by these regulations is the incorporation and operational management of youth enterprises.
Responsible entity	Malta Business Registry

Summary and background

Aims and Objectives of the Legislation

The aims and objectives of the regulations include:

- Bridging the "entrepreneurial gap" for individuals aged sixteen (16) and seventeen (17) who have completed compulsory education but are currently legally restricted from incorporating businesses;
- Empowering the next generation of Maltese entrepreneurs by providing them with a learning ground;
- Offering a controlled legal structure in virtue of which youths can learn corporate responsibility, financial accountability, and leadership;
- Granting minors the legal capacity to act as representatives of their enterprise while maintaining rigorous oversight;
- Ensuring proper guidance through a mandatory mentor system and supervision by the Malta Business Registry;
- Strengthening financial awareness and bridging the gap between education and real-world business management.

The regulations were subject to consultation with stakeholders and working groups.

3. Overview of the Structure of the Instrument

The regulations consist of twenty-two (22) regulations and nine (9) Annexes as follows:

- Regulation 1 – Citation;
- Regulation 2 – Interpretation;
- Regulation 3 – Separate legal personality;
- Regulation 4 – Minimum share capital;
- Regulation 5 – Formation;
- Regulation 6 – VAT status of the Youth Enterprise;
- Regulation 7 – Memorandum and articles of association;
- Regulation 8 – Documentation to be submitted to the Registrar;
- Regulation 9 – Duty of the Registrar and effects of registration;
- Regulation 10 – Appointed mentors;

[1]These Explanatory Notes are in accordance with and for the purposes of article 3(2)(c) and Schedule III of the Small Business Act (Chapter 512 of the Laws of Malta)

- Regulation 11 – Responsibilities of the mentors;

- Regulation 12 – Dissolution and striking off;

- Regulation 13 – Conversion;

- Regulation 14 – Capacity and representation;

- Regulation 15 – Restrictions on licensable activity;

- Regulation 16 – Withdrawal and expulsion;

- Regulation 17 – Filing of accounts;

- Regulation 18 – Mandatory training and supervision;

- Regulation 19 – Employees;

- Regulation 20 – Dividends;

- Regulation 21 – Access to information;

- Regulation 22 – Fees;

- Annex I – Model Memorandum and Articles of Association for Youth Enterprise;

- Annex II – Form YE(1) – Declaration of the parents exercising parental authority, guardian or tutors of the members of the Youth Enterprise;

- Annex III – Form YE(2) – Declaration confirming the mentor of the Youth Enterprise;

- Annex IV – Form YE(3) – Return containing the details of the members and mentor of the Youth Enterprise, and the details of the parents, guardians or tutors of the members of the Youth Enterprise;

- Annex V – Form YE(4) – Declaration of the members of the Youth Enterprise;

- Annex VI – Form YE(5) – Declaration confirming the training sessions attended by the member of the Youth Enterprise;

- Annex VII – Form YE(B1) – Notice of a unanimous decision for the dissolution of the Youth Enterprise;

- Annex VIII – Form YE(B3) – Application for simplified dissolution procedure;

- Annex IX – Form YE(B4) – Members' declaration.

4. Commentary

- **Regulation 2:** Clearly defines the key terms used throughout the regulations for enhanced legal certainty.

- **Regulation 3:** Confirms that a youth enterprise is a private limited liability company with a legal personality distinct from its members.

- **Regulation 4:** Sets the authorised share capital between €100 and €20,000. It mandates a minimum paid- up capital of €100 per member and dictates that all members must have equal voting rights, notwithstanding their contribution.

- **Regulation 5:** Restricts incorporation to natural persons between sixteen (16) and seventeen (17) years of age who are residents of Malta. It also requires the company name to include the expression "Youth Enterprise" or "YE".

- **Regulation 6:** Requires the enterprise to qualify as a small enterprise and be registered and entitled to be registered under specific articles of the Value Added Tax Act (Chapter 406 of the Laws of Malta).

- **Regulation 7:** Lists the mandatory information for the youth enterprise's memorandum, including its name, registered office address and electronic mail address, objects (which cannot be those of a holding entity), share capital details, the name of all members, and the name, identification document number and correspondence address of the appointed mentor. The memorandum and articles of association of every youth enterprise shall be in line with Annex I and any additional provisions shall not be contrary to the provisions of the regulations.

- **Regulation 8:** Outlines the documentation needed for incorporation, that is, the signed memorandum and articles, proof of paid-up share capital, the returns and declarations required in accordance with Annexes II to V, and proof of residence for members and their parents/guardians/tutors.

- **Regulation 9:** States that the Registrar shall certify the registration, bringing the youth enterprise into existence and authorising it to commence business from the registration date. Such date shall be indicated on the certificate of registration.

- **Regulation 10:** Mandates that the Malta Business Registry shall ensure that a mentor is appointed upon registration at all times throughout the existence of a youth enterprise. It further stipulates that the youth enterprise must notify the Malta Business Registry within three (3) working days if a mentor ceases to act in his/her role. Furthermore, if the youth enterprise fails to provide this notice within the required timeframe, the mentor has the independent right to inform the Malta Business Registry of his/her cessation.

- **Regulation 11:** Details the duties of the mentor who supports the youth enterprise, including but not limited to the fact that the mentor must act in the best interest of the enterprise, exercising the care and diligence of a bonus paterfamilias, undertake an advisory role, facilitate the members' skills, and regularly, and in any case, not less than three (3) months monitor progress, review financial records for transparency, and assist in identifying operational challenges. Mentors are prohibited from holding executive positions or participating in daily management or voting, except to break a deadlock if specified in the youth enterprise's memorandum and articles of association, and they are not personally liable for the enterprise's debts if they act in good faith in accordance with the Companies Act (Chapter 386 of the Laws of Malta) and the regulations.

- **Regulation 12:** Allows for a simplified dissolution process in accordance with the Companies Act (save for article 214A(2)(b)) by unanimous decision of the members. It also empowers the Registrar to strike the youth enterprise's name off the register if it is inactive or if members reach eighteen (18) years of age without converting the youth enterprise into a commercial partnership. In such cases, assets devolve upon the Government of Malta.

- **Regulation 13:** Permits members to apply to convert the youth enterprise into a commercial partnership upon all the members reaching eighteen (18) years of age. Unless they apply to convert the youth enterprise as aforesaid, members are disqualified from continuing in office and must resign immediately upon turning 18. Share transfers to third parties are prohibited in a youth enterprise.

- **Regulation 14:** Grants members the legal capacity to sign the youth enterprise's memorandum and articles of association and to act as joint legal and judicial representatives, notwithstanding any provision of the law relating to contractual capacity.

- **Regulation 15:** Prohibits the youth enterprise from being granted any licence or permit by any Maltese or foreign authority, unless it can legally be granted to minors by Maltese authorities. Where such licence or permits are granted by any foreign authority, recognition of same would be required from the relevant Maltese authority. Preparatory work by the youth enterprise for future licences is allowed, but applications must wait until all members reach eighteen (18) years of age.

- **Regulation 16:** Outlines that members may withdraw voluntarily from the youth enterprise on just and proper grounds in accordance with the conditions laid down in the youth enterprise's memorandum and articles of association, or in the absence thereof, with the agreement of the majority of the other members and under the guidance of the mentor. Members may also be expelled from the youth enterprise with the approval of the mentor for failing in their obligations or causing serious operational disruption.

- **Regulation 17:** Mandates the annual filing of basic accounts with the Registrar according to prescribed guidance or directives published on the website of the governing entity.

- **Regulation 18:** Requires each member to complete at least twenty (20) hours of training annually in business, compliance, or financial literacy either physically or virtually upon registration of the youth enterprise. This training must be supervised and verified by the mentor or the Malta Business Registry, with returns required in accordance with Annex VI submitted every six (6) months.

- **Regulation 19:** Prohibits the Youth Enterprise from hiring employees. It clarifies that members are not considered employees and remain eligible for students' maintenance grants.

- **Regulation 20:** Allows the enterprise to declare dividends during the general meeting, provided they do not exceed the amount recommended by the mentor.

- **Regulation 21:** Outlines the transparency and information- sharing requirements for youth enterprises. It specifies a list of data that must be accessible to the general public, including the youth enterprise's name, registered office and email addresses, registration and, or winding up and, or strike- off dates, status, share capital, and the mentor's name and service address. Additionally, it mandates that more sensitive information and official returns submitted to the Registrar must be disclosed upon lawful request to various national competent authorities, such as those responsible for combating money laundering, tax authorities, and the Financial Intelligence Analysis Unit.

- **Regulation 22:** Mandates that if a youth enterprise has an authorised share capital of more than one thousand euro (€1,000), it must pay the standard registration fees required by the Companies Act (Fees) Regulations (S.L. 386.03). These fee rules apply to the youth enterprise in the same way they apply to regular companies.

- **Annex I – Model Memorandum and Articles of Association for Youth Enterprise:** Provides the model memorandum and articles of association for youth enterprise.

- **Annex II – Form YE(1) – Declaration of the parents exercising parental authority, guardian or tutors of the members of the Youth Enterprise:** Provides for a formal declaration that must be signed by the parents, guardians, or tutors of the minor members. It grants minors the permission to act as members and confirms their awareness of the regulations.

- **Annex III – Form YE(2) – Declaration confirming the mentor of the Youth Enterprise:** Provides for a declaration signed by the mentor confirming his/her appointment to a specific youth enterprise. By signing this declaration, the mentor also agrees to abide by the regulations and the "Code of Conduct for Mentors".

- **Annex IV – Form YE(3) – Return containing the details of the members and mentor of the Youth Enterprise, and the details of the parents, guardians or tutors of the members of the Youth Enterprise:** Provides for a comprehensive data form in order to provide the Registrar with the personal details (name, date of birth, nationality, and identification) of all members, the mentor, and the parents, guardians or tutors of the members.

- **Annex V – Form YE(4) – Declaration of the members of the Youth Enterprise:** Provides for a declaration signed by each member confirming they are not involved in any competing youth enterprise or commercial partnership. It also serves as a formal confirmation that no conflict of interest exists regarding their appointment as members of the youth enterprise.

- **Annex VI – Form YE(5) – Declaration confirming the training sessions attended by the member of the Youth Enterprise:** Provides for a log submitted by the members every six (6) months to the Registrar to track the mandatory twenty (20) hours of annual training. It must list the training session and hours attended, verified by the signature of the mentor or the Malta Business Registry.

- Annex VII – Form YE(B1) – **Notice of a unanimous decision for the dissolution of the Youth Enterprise:** Serves as the official notice for the unanimous decision to dissolve a youth enterprise. This form is submitted to the Registrar of Companies to formally declare that an extraordinary resolution was passed by the members authorising the simplified dissolution process.

- **Annex VIII – Form YE(B3) – Application for simplified dissolution procedure:** Serves as the official application for simplified dissolution procedure. It is a comprehensive declaration signed by the members to confirm that the youth enterprise is eligible for closure. Specifically, the form requires members to certify that in the preceding six (6) months, the youth enterprise has not changed its name, had no employees, had no pledged shares, or had not entered into new contracts. It also confirms that the entity has no pending court proceedings, has discharged all liabilities to creditors, and holds assets not exceeding five thousand euro (€5,000). Finally, the members use this form to confirm they will retain the youth enterprise's financial records as required by law.

- **Annex IX – Form YE(B4) – Members' declaration:** Serves as a mandatory members' declaration to finalise the simplified voluntary dissolution of a youth enterprise. In this form, the members must officially confirm that a unanimous decision was reached to approve the dissolution in accordance with their governing documents, that all associated bank accounts have been closed (or were never opened), and that the enterprise has either filed for VAT de- registration or was not registered for VAT purposes.

5. Concluding Sections

The regulations shall come into force upon their publication in the Government Gazette

Should more information be required kindly contact the Malta Business Registry on 22582300 or at legal.enforcement@mbr.mt.

N.B. These Explanatory Notes are not intended to be an exhaustive description of the instrument nor a substitute thereof or a legislative supplement to it. These Explanatory Notes do not purport to be an authoritative ruling on the interpretation of the legislation.

12th March, 2026