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The official Incentive Guidelines are published at:  
<http://support.maltaenterprise.com>

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# 1. Introduction

1.0.1 Through this scheme Malta Enterprise (hereinafter referred to as the 'Corporation') shall support business undertakings to provide training to develop and update the skills and knowledge of their workforce when such training is not legally mandatory for the operation of the business.

1.0.2 The Corporation shall support training and knowledge transfer initiatives that will support employees acquire new skills, knowhow and knowledge. Through the supported training it is envisaged that assisted undertakings will upgrade skills of employees, address skills shortages, facilitate re-skilling, tackle skill mismatches and work towards developing a knowledge-based workforce.

## 1.1 Duration of the Incentive

This measure shall be applicable until 31<sup>st</sup> December 2020. While the Corporation may periodically update and amend these Incentive Guidelines, the applicable Incentive Guidelines shall be those published when the request for assistance is received.

## 1.2 Legal Basis

1.2.1 The Corporation may issue and publish updates to the official Incentive Guidelines covering this aid scheme in terms of Article 8 (3) (a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

1.2.2 The subsidiary legislation 463.28 to the Malta Enterprise Act, mentioned in the previous paragraph, forms the national legal basis of this aid scheme.

## 1.3 Budget

1.3.1 This scheme has a budget of EUR 10,000,000.

## 2. Definitions

2.0.1 For the purposes of this Incentive Guidelines, the following definitions shall apply:

### 2.1 Small and Medium Sized Enterprises (SMEs)

2.1.1 The definition of SME used for the purpose of this incentive shall be that provided in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014.

### 2.2 Undertaking in Difficulty

2.2.1 'Undertaking in Difficulty' means an undertaking in respect of which at least one of the following circumstances occurs:

- a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU (1) and 'share capital' includes, where relevant, any share premium.
- b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.
- c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.
- e) In the case of an undertaking that is not an SME, where, for the past two years:
  - i. the undertaking's book debt to equity ratio has been greater than 7,5;  
and
  - ii. the undertaking's EBITDA interest coverage ratio has been below 1,0.

## 3. Eligibility

### 3.1 Eligible Entities

3.1.1 This measure is available to duly registered undertakings (including self-employed persons) that:

- a) carry out an economic activity in Malta;
- and
- b) are engaged in one or more qualifying activities;

3.1.2 Undertakings engaged in any activity excluded from receiving aid under the General Block Exemption Regulation<sup>1</sup> may not benefit from this measure.

3.1.3 At point of application the undertaking (legal person submitting the application) must employ at least five (5) persons (on full time basis). In establishing the number of persons employed, the Corporation:

- a) shall not consider as employees (even if officially registered as such) directors and any shareholder whose shareholding exceeds 25% of the total shareholding.
- b) shall only consider persons whose employment is registered with the Jobsplus.
- c) may request further documentation (such as pay slips and fiscal documentation) and conduct site visits to verify the effective number of employees.

### 3.2 Qualifying Training

3.2.1 In order to be considered for this incentive the undertaking shall be engaged in one or more of the following activities and the training in which support is requested must lead to the acquisition of knowledge which is relevant to the same activity or activities:

3.2.2 **Manufacturing:** Production, manufacture, improvement, assembly, preservation and processing of goods, materials, commodities, equipment, plant and machinery. The activity carried out should result in product(s) that are clearly distinct from the materials and components utilised.

3.2.3 **Repair, overhaul or maintenance:** The repair, overhaul or maintenance of:

- a) any water craft not covered by the definition of shipbuilding as provided for in the Framework on state aid for shipbuilding as published in the Official Journal C364 of 14.12.2011, p.9-13;
- b) aircraft;
- c) industrial engines or electromechanical equipment.

3.2.4 **Industrial Services:** The provision of services requiring the operation of mechanical and/or electrical equipment, that is analogous and/or coincidental to manufacturing.

3.2.5 **Laundry and Dry cleaning:** Laundering and dry cleaning, pressing of clothing and textiles.

3.2.6 **Information Technology - Computer Programming:** Developing, writing, modifying, testing of software to create and implement: systems software (including updates and patches); software applications (including updates and patches); databases systems; online solutions. This activity includes:

- a) customising software; specifically modifying and configuring an existing application so that it is functional within the clients' information system environment.

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1084&from=EN>

- b) publishing of ready-made (non-customised) software following translation or adaptation of that software for a particular market (operating system, business or other application).
- 3.2.7 **Information Technology - Data Processing and hosting facilities:** The hosting of data for public or private third parties such as web hosting, streaming services, application hosting, application service provisioning, and general time-share provision of mainframe (or computing) facilities,
- 3.2.8 **Information Technology - Data Processing services:** Activities for processing of digital/electronic data supplied by third parties or collected for third party sources.
- 3.2.9 **Information Technology - Electronic and mobile platforms:** The operation of mobile and electronic platforms that enable clients to conduct commerce, financial transactions and electronic payments with third parties.
- 3.2.10 **Call Centre Activities:** Inbound or out bound call centre services that receive customer orders, provide product information, deal with customer requests for assistance, address customer complaints, sell or market goods or services to potential customers, undertake market research or public opinion polling and similar activities for clients.
- 3.2.11 **Research and Development, Design, and/or Innovation:** Carrying out on a continuous cycle activities focused on design, development, testing, validation and technical analysis of products and/or processes. This activity shall also include clinical trials and the commercialisation of developed services and products.
- 3.2.12 **Logistics:** The provision of supply chain management and operations through temporary storage and warehousing of any third party goods which activity may also include other related operations such as mixing, blending, sorting, labelling, packaging. This activity shall include logistics services related to specialised products/commodities such as Pharmaceuticals and high value goods.
- 3.2.13 **Waste Treatment:** the operation of physical, thermal, chemical or biological processes which change the characteristics of the waste in order to reduce the volume or the hazardous nature of waste so as to facilitate its handling or enhance recovery.
- 3.2.14 **Filming and Audiovisual productions:** The operation of facilities and equipment required in the production of audio and audio visual products and service.
- 3.2.15 **Game Development:** The development of digital video games.
- 3.2.16 **Education:** The provision of education, tuition and training services that leads to recognised qualifications and/or the acquisition of specialised skills (related to languages, crafts, technology, creativity and innovation).
- 3.2.17 **Health care service:** The provision of human health services.
- 3.2.18 **Hospitality:** The provision of tourist facilities and related amenities, as licensed by the Malta Tourism Authority.
- 3.2.20 **Cultural Restoration:** Activities leading to the restoration and/or preservation of works of art and antiques.
- 3.2.21 **Retail:** The retail of goods from specialised stores (*excluding the retail of motor vehicle, mining, construction and civil engineering machinery*).
- 3.2.22 **Transportation:** The provision of passenger or freight transport, whether scheduled or not.
- 3.2.23 **Agriculture:** The growing of crops, raising and breeding of animals for economic gain.
- 3.2.24 **Fishing and Aquaculture:** The exploitation of marine resources with the goal of cultivating, capturing or gathering fish, crustaceans, molluscs and other marine organisms and product. The activity shall include the processing of fish, crustaceans, molluscs and other marine organisms and product whether this is land-based or on factory ships.

### 3.3 Qualifying Activity

3.3.1 In addition to the criteria established above (in section 3.2), the Corporation shall only support eligible undertakings whose main activity is defined under the following categories as provided in *NACE Rev.2 Statistical classification of economic activities in the European Community* <http://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF>

<u>NACE</u>	<u>Activity</u>
A	Agriculture, forestry and fishing
C	Manufacturing
E	Water supply, sewerage, waste management and remediation activities
G.47	Retail trade, except of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
M	Professional, scientific and technical activities
N	Administrative and support service activities
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other Service Activities

## 4. The Incentive

### 4.1 Eligible Training

- 4.1.1 The training should provide the participants with skills and knowledge that enhance their potential for personal growth and development and must specifically address the skills and knowledge requirements of the undertaking.
- 4.1.2 This measure shall support undertakings in providing training to employees. The training should provide the participants with skills and knowledge that enhance their potential for personal growth and development and must specifically address the skills and knowledge requirements of the undertaking. The Corporation may support training delivered to one or more employees of the beneficiary by:
- a) other employees of the beneficiary;
  - b) employees of related enterprises;
  - c) external experts;
  - d) Private Training Providers (holding an NCFHE license).
- 4.1.3 Training which is mandatory under national law cannot be supported. In this regard, it is irrelevant whether the training is carried out to comply with national standards which are mandatory for the undertaking in question or for its employees to be able to engage in their role and also whether the training is carried out by the undertaking itself or an external trainer.

### 4.2 Eligible costs

- 4.2.1 The Corporation shall provide support in relation of the following costs:
- a) Consultancy costs for developing the training programme;
  - b) Wage costs of trainees, covering direct contact hours during which the trainee is participating in the training.
  - c) Wage costs of trainers, covering direct contact hours during which the trainer is delivering the training.
  - d) Hourly costs covering direct contact hours of training service providers engaged to deliver training.
  - e) Air Travel expense incurred to send trainees to foreign training locations if the training is not available locally and it is more economic feasible than holding the training locally.
  - f) Air Travel expense incurred to bring trainers to Malta.
  - g) Rental of Training rooms and tools and equipment, to the extent that they are used exclusively for the training project.
- 4.2.2 Wage costs shall be considered to consist of the basic wage costs before tax and payment of national insurance and may only be claimed when the training occurs during the official working hours of the undertaking. The eligible amount shall be an allocation pro-rata of the wages to the hours spent on training. Furthermore, no more than 8 hours per day to a maximum of 40 hours a week can be reimbursed.
- 4.2.3 Consultancy Fees shall be only considered when the training programme supports at least 10 employees and shall be limited to 10% of the eligible costs.
- 4.2.4 Where training costs are not charged at an hourly rate the Corporation shall take note of the number of contact hours as specified in the curriculum. In such instance reimbursement will be capped at € 25 per trainee per hour. For training courses that provide for a specific number of credits in terms of the European Credit Transfer and Accumulation System (ECTS) the contact

hours shall be established as 25 hours per ECTS unless a lower number of hours is specified by the training provider.<sup>2</sup>

- 4.2.5 One to one, on the job training may be considered if the training involves the use of machinery and equipment and such training cannot be replicated efficiently in a class-room environment.
- 4.2.6 All training should lead to pre-established outcomes relevant to the current or future role of the trainee.
- 4.2.7 Any costs that may be linked to individuals, such as wage costs, may only be accepted by the Corporation if the appropriate Personal Data Protection Regulations applicable have been abided to.

### 4.3 Form of Aid

- 4.3.1 In principle the aid shall be granted in the form of a tax credit.
- 4.3.2 The Corporation may yet consider and approve that the aid is awarded as a cash grant in respect to training requirements directly related to the following activities:
- a) Manufacturing – the production, manufacture, improvement, assembly, preservation and processing of goods, materials, commodities, equipment, plant and machinery. The activity carried out should result in product(s) that are clearly distinct from the materials and components utilised.
  - b) Repair, overhaul or maintenance the repair, overhaul or maintenance of ships, aircraft industrial engines or industrial electromechanical equipment.
  - c) Software developing, writing, modifying and testing, including training on cyber solutions such as distributed ledger systems, data storage, data transmission, data recovery, automation, cyber security and artificial intelligence.

- 4.3.3 Whenever the Corporation opts to award a cash grant it may opt to cover only a percentage of the eligible amount and award the difference as a tax credit.

### 4.4 Aid Intensity

- 4.4.1 The aid intensity shall be established according to the size of undertaking. No undertaking may be awarded aid in excess of One Million Euro. The aid intensity applicable shall not exceed the following percentages of the eligible costs:

Size of Undertaking	%
Small	70
Medium	60
Large	50

<sup>2</sup> The concept of “1 ECTS=25 learning hours” arises from the Bologna Process and is reflecting in the national referencing report. The latest version is <https://ncfhe.gov.mt/en/Documents/Referencing%20Report/Referencing%20Report%202016.pdf>

## 5. Application and Adjudication

5.0.1 Applicants should submit their application to the Corporation before 30<sup>th</sup> November 2020. All incomplete applications shall be rejected.

### 5.1 Application Process

5.1.1 Applications should be submitted prior to the commencement of the training programme and should include details of the training, the training provider, the trainees and the expected outcome. It is the applicant's responsibility to provide details and comprehensive information in the application form to enable the Corporation to determine eligibility and evaluate the training programme. The Corporation shall reject any incomplete application and shall not be bound to seek further information to better understand the proposed training programme.

5.1.2 Applications for fiscal benefits (tax credits) will be processed in the order received and the award will be pursuant to the confirmation of eligibility of the applicant and the proposed project.

### 5.2. Determination of eligibility

5.2.1 The Corporation will review all documentation submitted to determine the eligibility of the applicant and may consult public sources of information and also conduct onsite verifications to support the process.

5.2.2 In order to determine that an undertaking is carrying out a Qualifying Economic Activity the Corporation:

- a) shall analyse the Memorandum and Articles of Association to confirm that the main objects related only to activities that are listed as eligible activities and that none of the objects allow for the carrying out of activities deemed as disqualifying; and
- b) may conduct onsite visits to confirm that any relevant entity is engaged solely in eligible activities and is not carrying out any disqualifying activities; and
- c) may request any relevant permits and documentation as the Corporation deems necessary to conduct its determination.
- d) shall determine the NACE classification related to the applicant and the project based on the information gathered.

5.2.3 Based on the information provided in the application form and any additional information requested or obtained, the Corporation shall determine the eligibility of the proposed training programme. In its determination the Corporation may reject the application or specific parts of the proposed training programme.

### 5.3 Evaluation

5.3.1 The Corporation shall only consider cash grants in relation to holistic project implemented at organization level that lead to:

- a) the acquisition of new skills by employees;
- b) innovation in the application processes;
- c) the expansion into new markets;
- d) additional value in the products or services provided by the applicant;
- e) increase use in digital technologies, artificial intelligence, and/or automation.

5.3.2 Any applications received after the annual or scheme budget is fully allocated will be rejected.

5.3.3 In conducting its evaluation the Corporation may request further information, and clarifications, beyond the information requested in the application, so as to determine whether the support should be awarded. Each submission will be reviewed on its own merits and any support will be awarded at the sole discretion of the Corporation, following a review of all the following elements:

- a) the economic feasibility of the training being proposed;
- b) the qualifications and experience of any external service providers;
- c) the alignment of the proposed training with the operations of the applicant;
- d) the personal development to be achieved by the trainees through the acquisition of the new skills and knowhow;
- e) the increase in jobs or the jobs that shall be maintained as a result of the training programme;
- f) the strength of the justification provided in the applicant submission.

5.3.4 Eligible applications that are refused cash support may still benefit from a tax credit.

5.3.5 If the value of aid awarded as a cash grant results in a lower aid intensity than that allowed by this measure the difference may still be claimed by the applicant and a Tax Credit. In any case the State Aid rule on cumulation of aid shall be observed.

## 5.4 Awards

5.4.1 The outcome shall be communicated to the applicant, and successful applicants will be issued a Letter of Approval specifying the terms and conditions of the award. The Letter of Approval will specify the maximum value which may be requested as tax credits, and if applicable the amounts which claimed for reimbursement as a cash grant.

5.4.2 The Corporation shall withhold all, or part, of the assistance if the undertaking (at group level) is subject to an outstanding recovery in respect of any other incentive awarded by the Corporation.

## 5.5 Revocation and suspension of aid

5.5.1 All projects are subject to audits and evaluations.

5.5.2 The assistance may be revoked, or suspended, if the beneficiary does not adhere to the conditions established in these Incentive Guidelines and in the Letter of Approval. Furthermore, the Corporation may withhold all, or part, of the assistance if the undertaking (at group level) is subject to a recovery in respect of any other incentive awarded by the Corporation.

## 6. Claims

### 6.1 Claims Process

- 6.1.1 Claims should be submitted in line with the terms and conditions specified in the Letter of Approval.
- 6.1.2 When submitting the claim the beneficiary should submit all the documentation as required in the claim form provided by the Corporation which shall include:
- a) Jobsplus engagement form or equivalent of trainees and trainer employed with the undertaking.
  - b) Pay slips covering the months during which training was delivered for the trainees and trainer employed with the undertaking.
  - c) Attendance sheets (or time sheets as applicable) for each training session.
  - d) Copies of certificates issued to trainees confirming participation in training programme and achievement of the training outcomes.
  - e) When claiming costs incurred for services rendered, the undertaking will be required to submit the Tax Invoice (as specified in the 12th Schedule of the VAT Act Chapter 406 of the Laws of Malta) and an associated receipt or a copy of the Fiscal Receipt (as specified in the 13<sup>th</sup> Schedule of Chapter 406 of the VAT Act).
- 6.1.3 Cash grants shall only be disbursed upon the provision of evidence that any balances due to the Revenue Department (in terms of VAT, FSS & CIR) in respect to any fiscal year for which a tax return should have been submitted, have been settled or that the beneficiary is honouring an agreement to settle any pending dues;

### 6.2 Tax Credits

- 6.2.1 Any Tax Credits confirmed following the review of a claim shall be awarded through a Tax Credit Certificate which will allow the beneficiary to claim in the tax credit from the year of assessment immediately following the year in which the certificate is issued.
- 6.2.2 The Tax Credit Certificate may only be used against tax due and may not be used to settle any pending tax payments.
- 6.2.3 When the undertaking does not utilise (in part or in full) the awarded tax credits awarded in a Tax Credit Certificate, the undertaking shall carry forward the unutilised tax credit to subsequent years of assessment for a period not exceeding 10 years from the year of assessment immediately following the year in which the certificate is issued.

## 7. State Aid Rules and Obligations

### 7.1 Applicable State Aid

7.1.1 The terms and conditions set out in these Guidelines are in line with the General Block Exemption Regulation (*Commission Regulation (EU) No 651/2014 of 17 June 2014, declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty*<sup>3</sup>, as amended by *Commission Regulation (EU) No 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs.*

7.1.2 The incentive is not applicable to the following:

- a) Activities listed down in Article 1 (2), (3), (4) and (5) of the General Block Exemption Regulation (where applicable).
- b) Undertakings in difficulty as defined in terms of the General Block Exemption Regulation

7.1.3 Aid shall not be granted for training which undertakings carry out to comply with national mandatory standards on training.

7.1.4 Furthermore, assistance may not be granted if the aid is:

- a) related to export activities towards third countries or Member States, namely aid directly linked to quantities exported, to the establishment and operation of a distribution network or to the other current expenditure linked to export activity.
- b) contingent upon the use of domestic in preference to imported goods.
- c) in favour of a beneficiary which is subject to an outstanding recovery order following a previous Commission decision declaring an aid granted by Malta illegal and incompatible with the internal market should be excluded from the scope of this Regulation.

### 7.2 Rules on Cumulation of Aid

7.2.1 Rule on cumulation of aid shall be in line with Article 8 of the General Block Exemption Regulation.

### 7.3 Transparency

7.3.1 In line with Article 9(1)(c) of the General Block Exemption Regulation, information regarding any individual aid awards that exceed €500,000 are to be made publicly available on the national State aid website.

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<sup>3</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=EN>

## 8. Contact Details

Further information on the scheme, as well as information and guidance on the filling in of the application form may be obtained by contacting Business First during office hours.

Postal Address: Business First  
Centre Joseph Grech, 2nd Floor,  
'Cobalt House',  
Mdina Road, Mriehel Industrial Estate,  
B'Kara Malta, BKR3000

Tel: 144

Email: [info@businessfirst.com.mt](mailto:info@businessfirst.com.mt)

Website: [www.businessfirst.com.mt](http://www.businessfirst.com.mt)