



MALTAENTERPRISE

INCENTIVE GUIDELINES

Exploring Research Grant

**Support for conducting Feasibility Studies in relation
to Research and Development Activities.**

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<https://www.maltaenterprise.com/support>

1. Overview

- 1.1 Research & Development (R&D) initiatives address uncertainty; it is hence advisable to review the feasibility of research projects prior to committing to the investment. A Feasibility Study will help the enterprise establish the technical, operational and commercial risks linked to the project. The study would help establish whether the resources required to implement the project are available and accessible. This would help mitigate the risk of encountering lack of resources when implementing the research project. Conducting the study would also help business determine the commercial potential of the products and services that might result from the research activity, enabling them to take a more knowledgeable decision on the financial risk of the envisaged project.
- 1.2 The objective of the Exploring Research Grant is to support business in planning better their R&D initiatives. Through this measure, Malta Enterprise aims to encourage businesses to think strategically, consider the market disruptions the research results could lead to and look beyond the organisation for strategic collaborations. The support will help the beneficiary:
- a) review the current scientific or technical knowledge in the area of research;
 - b) conduct searches to identify research partners, existing Intellectual Property and knowledge that could support the R&D activity;
 - c) establish the resources required, risks and potential return on investment of the envisage R&D project.
- 1.3 The activities carried out by the business through the support received under this measure are expected to result in a project plan for an R&D project that could form the basis of an application for support through other measures provided by Malta Enterprise to carry out R&D projects.
- 1.4 Supported projects must commence within twelve (12) months from the date the funding is approved and must be implemented and finalised within forty (40) weeks of the commencement date.
- 1.5 This measure has an annual budget of one million euro per annum (€1,000,000).
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2. Am I eligible?

- 2.1 Malta Enterprise can accept applications submitted by *limited liability companies, partnerships¹ and cooperatives²*. You must ensure that you do not have any dues related to VAT, Income Tax, and Social Security which are older than twelve (12) months as your application will be kept on hold until you confirm a repayment agreement with the respective departments has been reached and is being honoured.
- 2.2 The Corporation will consider Applications from established enterprises and new establishments. If your business has been established for less than five (5) years or you employ less than five (5) full time employees (as registered with Jobsplus at the time of submitting your application), you will be required to sustain your application with a business plan³.
- 2.3 You may only receive support in relation to one concurrent feasibility study for each hundred (100) full time employees engaged (as registered with Jobsplus at the time of application).
- 2.4 Your application will not be considered eligible if the applicant:
- a) is any undertaking whose activities are listed down in Article 1 (2), (3), (4) and (5) of the General Block Exemption Regulation [where applicable].
 - b) Is an Undertaking in Difficulty, unless the undertaking was not in difficulty on 31 December 2019 but became an 'undertaking in difficulty' in the period from 1 January 2020 to 30 June 2021.
 - c) Is a Research and knowledge-dissemination organisation;
 - d) Is a Public Entity, such as Ministries, Departments, Entities, Authorities, Commissions, Foundations and similar organisations that carry out a public or regulatory function which does not involve the carrying out of an economic activity in direct competition with third parties;
 - e) Any undertaking 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.

¹ Limited Liability Companies and partnership are constituted under the Companies Act (Chapter 386 of the Laws of Malta) and include partnerships en nom collectif, partnerships encommandite and bodies of persons constituted, incorporated or registered outside Malta and of a nature similar to the aforesaid partnerships and registered as an overseas company in accordance with the Companies Act.

² As defined in the Co-Operative Societies Act (Chapter 442 of the Laws of Malta).

³ Malta Enterprise may refer to business plans submitted in relation to other measures.

3. What is the maximum support?

^{3.1} Malta Enterprise may support the implementation of a feasibility study with a cash grant of up to €50,000 which shall be capped at:

- a) 50% of eligible costs if the beneficiary is a Large Undertaking;
- b) 60% of eligible costs if the beneficiary is a Medium-Sized Undertaking;
- c) 70% of eligible costs if the beneficiary is a Small Undertaking.

4. What costs are eligible?

- 4.1 The Exploring Research Grant may support costs incurred for carrying out a feasibility study in relation to a proposed R&D project. The eligible cost shall be wage costs, costs related to contractual research, technical knowledge and patents and other operational costs incurred specifically for carrying out the study. All eligible costs shall be calculated excluding Value Added Tax (VAT) and any other recoverable taxes or duties. Details on eligible costs are provided in the table below:

4.2	Eligible Expenditure	Maximum Limits and Notes
	1. Wage costs	<ul style="list-style-type: none">(a) The eligible costs shall be the wages of researchers, technical personnel and other staff required for the carrying out of the feasibility study to the extent and for the duration that they are directly engaged on the approved feasibility study.(b) The eligible costs will be calculated on the basic wage paid to the employee during the relevant period. The eligible costs shall not include any additional costs such as bonuses, allowances, overtime, per diem and insurances. The value deducted from the employee's wage as national insurance shall be considered part of the basic wage paid.(c) Claimed wage costs are subject to a maximum supportable wage of €80,000 per annum.(d) All employees in respect of whom costs are claimed must be registered with Jobsplus.(e) The time the employees dedicate to the project must be documented and must at the minimum; record the task carried out, date, activity start-time and activity end-time. Eligible wage costs shall be calculated by multiplying the time the employee was directly engaged on the study with the hourly salary. The hourly salary of a full-time employee shall be established by dividing the annual salary by 1760 hours.(f) Eligible wage costs of staff that do not qualify as researchers or technical personnel shall be capped at twenty five percent (25%) of the total personnel costs.
	2. Contractual research, technical knowledge, and patents	<ul style="list-style-type: none">(a) Costs of contractual research, technical knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services, required exclusively for the approved feasibility study may be part financed through this measure.(b) Malta Enterprise shall only consider contractual research outsourced to universities, research institutes, independent laboratories or third parties unrelated to the beneficiary.

	<ul style="list-style-type: none"> (c) Costs of consultancy and equivalent services must be rendered by experts: <ul style="list-style-type: none"> i. in the relevant field of research being investigated, that are currently following a doctoral program or have successfully completed doctoral training; ii. that demonstrate relevant professional experience in a relevant field as is required to carry out the feasibility study. (d) Daily rates for Consultancy must reflect actual market rates up to a maximum of €800 per day which shall be inclusive of travel and subsistence and all out-of-pocket expenses. Where more than one consultant is being used from the same firm the daily rate applies to the firm.
3. Other operating expenses	<ul style="list-style-type: none"> (a) Additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the approved feasibility study may be considered as eligible. (b) When operating expenditure is not fully utilised for the funded project, the beneficiary must demonstrate how such costs were apportioned to determine the expenditure related to the approved feasibility study. (c) Prototype materials, specialised software tools, hire of equipment or facilities and other sundry costs relating to building early stage prototypes may be considered as eligible. (Note that this measure is not intended to support the development of new products, processes or services).
4.3	Any costs not covered by the above definitions shall not be considered eligible. Costs related to repair and maintenance of plant, equipment and buildings and the procurement of capital items and equipment (such as tools, laptops and machinery) are not eligible even if they are purchased or incurred for the carrying out of the feasibility study.
<h2>5. How do I apply?</h2>	
5.1	Prior to applying you should contact Business First to discuss your application. Following the first contact, you may be assigned a relationship manager from Malta Enterprise to discuss your project in further details. The relationship manager will provide you with guidance to help you determine whether the envisage research and planned feasibility study fit within the scope of the scheme.
5.2	When submitting an application, you will be required to provide full details including a budget of the costs to be incurred. It is recommended that where possible budgeted costs are substantiated by market research, quotations and relevant documentation.

- 5.3 The application form which may be downloaded from the Corporation's website (<http://support.maltaenterprise.com/>) and any other additional documentation should be submitted through the Corporation's client portal. First time applicants will be required to register on the client portal before they can submit their application.

6. By when can I submit an application?

- 6.1 Applications must be submitted at least eight (8) weeks before the commencement of the feasibility study (i.e. prior to the 'start of works'). This will ensure that the Corporation has adequate time to process the application prior to the commencement of the study. Applications may be submitted at any time between 1st March 2021 and 31st October 2023, yet the Corporation may suspend applications if the budget allocated to the scheme in a specific year has been allocated.

7. What happens after I apply?

- 7.1 Once Malta Enterprise receives an application it will be evaluated in terms of these Incentive Guidelines. The evaluation will take into consideration the objectives of the scheme and how the applicant will be achieving such objectives. The Corporation has full discretion on the approval of projects.
- 7.2 Primarily Malta Enterprise will establish if the applicant is eligible and that the proposed Feasibility Study shall be carried out in preparation of industrial research and experimental development activities. If the applicant and proposed Feasibility Study are deemed eligible, the Corporation then shall consider the expected growth in terms of business activity, employment and knowledge that could result following the completion of the Feasibility Study.
- 7.3 Applicants will be notified in writing of the outcome of their application. If the support for carrying out a Feasibility Study is approved, a letter of approval will be issued specifying the value of the aid awarded and including such terms and conditions as may be set by the Corporation. The letter of approval shall contain details on how to claim reimbursement of eligible costs. The final claim should include the full feasibility study⁴, that is a document that reflects the tasks and milestones as presented in the application and addresses the feasibility of the R&D Activity identified in the application submitted to the Corporation. The document should also include a project plan that could form the basis of an R&D project where applicable.

⁴ Confidential Information may be removed from the copy submitted to Malta Enterprise, yet the corporation may still require to review the original version at the beneficiary's premises

8. State Aid Rules and Obligations

- 8.1 The terms and conditions set out in these guidelines are in line with *the 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 , 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, and by Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments, and as may be subsequently amended (hereinafter referred to as the General Block Exemption Regulation).*
- 8.2 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 (defined in terms of the General Block Exemption Regulation), unless the undertaking was not in difficulty on 31 December 2019 but became an ‘undertaking in difficulty’ in the period from 1 January 2020 to 30 June 2021.
- 8.3 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.
- 8.4 This support is designed under Article 25 of the General Block Exemption Regulation.
- 8.5 The amount of aid granted will not exceed €7.5 million per feasibility study.
- 8.6 Rules on Cumulation of Aid shall be in line with Article 8 of the General Block Exemption Regulation.
- 8.7 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.

9. Further Information

- 1) Malta Enterprise is enabled to issue and publish official Incentive Guidelines in terms of Article 8(3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta. The Exploring Research Grant Regulations 2021 as subsidiary legislation 463.41 to the Malta Enterprise Act form the specific legal basis for these Incentive Guidelines.
- 2) Beneficiaries should note that any changes not approved by Malta Enterprise may result in disqualification or in the revocation of the approval and the recovery of any funds disbursed. Any modifications to an approved Feasibility Study must be notified to Malta Enterprise. The notification should clearly describe the proposed changes and include comprehensive arguments justifying the changes. Malta Enterprise will evaluate the proposed amendments and will inform the applicant in writing of the outcome pursuant to the evaluation. The outcome of such evaluation may lead to a change in the amount of aid and/or activities supported.
- 3) Details of the undertaking, the value of the aid granted and other non-confidential details of successful applicants may be published by Malta Enterprise and by other entities responsible for the monitoring of State Aid.
- 4) Beneficiaries will be monitored by the Corporation and other agencies entrusted by the Corporation. If a beneficiary fails to implement and maintain the supported investment and carry out the agreed to actions as specified in the letter of approval the Corporation may revoke and/or recover all or part of the support granted.

- 5) Useful Definitions:

Applicant: *An Applicant is an Undertaking that has submitted a complete application for support under this scheme to the Corporation.*

Arm's length *means that the conditions of the transaction between the contracting parties do not differ from those which would be stipulated between independent enterprises and contain no element of collusion. Any transaction that results from an open, transparent, and non-discriminatory procedure is considered as meeting the arm's length principle. The Corporation may refer to OECD documentation in respect to the Arm's Length Principle - <https://doi.org/10.1787/tpg-2010-4-en>.*

Beneficiary: *A Beneficiary is an Undertaking that is in possession of a Letter of Approval issued by the Corporation.*

Corporation / Malta Enterprise: *The terms The Corporation and Malta Enterprise shall mean Malta Enterprise Corporation as established by the Malta Enterprise Act, Chapter 463 of the Laws of Malta.*

Experimental Development *means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services.*

Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes.

Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services and other operations in progress, even if those changes may represent improvements.

Feasibility Study *means the evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success.*

Industrial Research: *means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation.*

Large Undertaking; *A 'large undertaking' is an undertaking not fulfilling the criteria laid down in Annex I of the General Block Exemption Regulation.*

Letter of Approval: A Letter of Approval is a document establishing the support granted to an undertaking and stipulating any terms and conditions deemed appropriate by the Corporation.

Research and knowledge-dissemination organisation means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that can exert a decisive influence upon such an entity, in the quality of, for example, shareholders or members, may not enjoy preferential access to the results generated by it.

Small and Medium Enterprises (SME); An 'SME' is an undertaking which fulfils the criteria laid down in Annex I of the General Block Exemption Regulation.

Start of works means the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works. For take-overs, 'start of works' means the moment of acquiring the assets directly linked to the acquired establishment.

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 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.

10. Contacts

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

Postal Address: Malta Enterprise
Gwardamangia Hill,
Pieta`, MEC 0001
Malta.

Tel: 144

Websites: www.maltaenterprise.com

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

Email: info@businessfirst.com.mt