



MALTAENTERPRISE

Innovate – Innovation Aid for SMEs

INCENTIVE GUIDELINES

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<http://support.maltaenterprise.com>

Support and clarifications in relation to these guidelines may be obtained through Business First which may be contacted by calling 144 or by email on info@businessfirst.com.mt

Contents

1. Overview	2
2. Am I eligible?	3
3. What is the maximum support?	4
4. What costs are eligible?	5
5. How do I apply?	7
6. By when can I submit an application?	8
7. What happens after I apply?	9
8. State Aid Rules and Obligations	11
9. Further Information	12
10. Contacts	15

1. Overview

- 1.1 Small and medium sized enterprises (SMEs) can improve their innovation performance through access to Highly Qualified Personnel and collaborations with Research and Knowledge-Dissemination Organizations.
- 1.2 The objective of this measure is to support SMEs in carrying out projects leading to product, process and organisational innovation through collaboration with a Research and Knowledge-Dissemination Organization or through innovation advisory services. The measure can provide funding for the secondment of Highly Qualified Personnel, and access to innovation advisory and support services. Through this measure, Malta Enterprise is encouraging businesses to engage with Research and Knowledge-Dissemination Organisations and Highly Qualified Personnel in carrying out innovation projects. The scheme will facilitate access to expertise and the generation of new knowledge thus achieving the scope of accelerating innovation, enhancing business performance and driving competitive advantage.
- 1.3 The supported activities should facilitate the development of new or improved products, services and/or processes or to increase the sustainability of existing products and services.
- 1.4 Supported projects must commence within twelve (12) months from the date the funding is approved. Projects would be expected to be implemented within thirty-six (36) months from the Start of Works, yet the Corporation may consider extending the implementation period if the beneficiary substantiates that delays were encountered irrespective of the efforts made to complete the project in the established timeframe.
- 1.5 This measure has a budget of one million euro per annum (€1,000,000) and is part of the Innovate – Innovation Aid for SMEs framework.

2. Am I eligible?

- 2.1 Malta Enterprise can accept applications submitted by small or medium-sized enterprises.
- 2.2 The Corporation shall refuse applications from undertakings that have dues in relation to VAT, Income Tax, and Social Security payments that in total exceed €1,000, unless the applicant has a repayment agreement to settle any dues that is being honoured. The Corporation may, at its discretion, accept applications from undertakings that have dues in relation to VAT, Income Tax, and Social Security payments, of up to €1,000, after considering the reasons for these dues as provided by the applicant and on condition that the applicant commits to regularise these dues within an established timeframe.
- 2.3 The Corporation will consider applications from established enterprises and new establishments. Businesses established for less than five (5) years or that employ less than five (5) full time employees (as registered with Jobsplus at the time of submission of application), will be required to sustain their application with a business plan¹.
- 2.4 An application will not be considered eligible if the applicant:
- a) is an 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 31 December 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) is an 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 Malta Enterprise may refer to business plans submitted in relation to other measures.

3. What is the maximum support?

- 3.1 The maximum support per application shall not exceed 50 % of the eligible costs, capped at two hundred and fifty thousand euro (€250,000).
- 3.2 In the case of aid for Innovation Advisory and Support services, should an aid intensity above 50% be approved, the total support for Innovation Advisory Services and Innovation Support Services shall be capped at two hundred and twenty thousand euro (€220,000) per undertaking within any three-year period.

4. What costs are eligible?

- 4.1 This measure supports innovation actions that are expected to lead to the creation, development and implementation of a new product, process or service, with the aim of improving efficiency, effectiveness or competitive advantage and/or the development of more sustainable products and services.
- 4.2 A business research partnership may be established through the secondment of highly qualified personnel seconded from a Research and Knowledge-Dissemination Organization or as Innovation Advisory provided by a Research and Knowledge-Dissemination Organization. The eligible costs as detailed below shall be the costs related to the secondment; the cost of the innovation advisory; and costs for innovation support services required for the implementation of the project.
- 4.3 All costs shall be calculated excluding Value Added Tax (VAT) and any other recoverable taxes or duties.
- 4.4 Malta Enterprise shall only consider eligible costs paid for by cheque or directly through a bank transfer.

4.5	Eligible Expenditure	Maximum Limits and Notes
	1. Costs covering the secondment period	<ul style="list-style-type: none">(a) The eligible costs shall be the costs of highly qualified personnel seconded from a Research and Knowledge-Dissemination Organization, engaged on research, development and innovation projects in a newly created function within the beneficiary and not replacing other personnel.(b) The secondment can be on full-time or part-time basis.(c) The maximum support shall not exceed fifty percent (50%) of the eligible costs and may not exceed two thousand five hundred euro (€2,500) per month.(d) The Corporation shall accept costs paid by the beneficiary directly to the highly qualified person, and/or through the Research and Knowledge-Dissemination Organization.(e) The eligible costs shall not include any additional costs such as bonuses, allowances, overtime, and insurances unless these are specified in an agreement between the parties submitted with the application for support and are specifically approved by the Corporation. The value deducted from the employee's wage as national insurance is part of the eligible wage.

2. Innovation Advisory Services

- (a) Costs incurred for consultancy, assistance or training in the fields of knowledge transfer, acquisition, protection or exploitation of intangible assets or the use of standards and regulations embedding them, as well as consultancy, assistance or training on the introduction or use of innovative technologies and solutions (including digital technologies and solutions);
- (b) Innovation Advisory services may be provided by:
 - i. Highly Qualified Personnel; or
 - ii. Research and Knowledge-Dissemination Organisations; or
 - iii. Research infrastructures, testing and experimentation infrastructures or innovation clusters
- (c) Support shall be capped at fifty percent (50%) of the eligible costs but may be increased to up to hundred percent (100%) if the innovation advisory service is provided by a Research and Knowledge-Dissemination Organisation. In this case, the maximum capping set out in Section 3.2 shall apply.
- (d) Additional costs such as travel, subsistence and any out-of-pocket expenses shall not be eligible.

3. Innovation Support Services

- (a) Costs related to the provision of data banks, cloud and data storage services, libraries, market research, laboratories, quality labelling, testing, experimentation and certification or other related services, including those services provided by Research and Knowledge-Dissemination Organisations, research infrastructures, testing and experimentation infrastructures or innovation clusters, for the purpose of developing more effective or technologically advanced products, processes or services, including the implementation of innovative technologies and solutions (including digital technologies and solutions);
- (b) Support shall be capped at fifty percent (50%) of the eligible costs but may be increased to up to hundred percent (100%) of the eligible costs and in line with the maximum capping set out in Section 3.2, if the Innovation Support Services as described above:
 - i. are required in relation to the objectives of a secondment of a highly qualified person from Research and Knowledge-Dissemination Organisations; or
 - ii. are recommended through Innovation Advisory Services provided by a Research and Knowledge-Dissemination Organisation.

^{4.6} Any costs not covered by the above definitions shall not be considered eligible.

5. How do I apply?

- 5.1 Business First can provide support to potential applicants throughout the application process. Following the first contact, you may be assigned a relationship manager from Malta Enterprise to discuss your project in further detail. The relationship manager will provide you with guidance to help you determine whether the envisaged project fits within the scope of the scheme.
- 5.2 Prior to compiling the application, you will need to clearly establish the focus of the innovation action required and contact the Research and Knowledge Dissemination Organisation to discuss in detail how they can support you in achieving your target. This process will help you gather the necessary information to submit a complete application. With the application you will be required to present a memorandum of understanding, service agreement or a similar document, clearly providing the terms of support agreed to with the Research and Knowledge Dissemination Organisation providing the seconded personnel and/or the innovation advisor. The document should clearly identify the costs and timeframes for implementing the project.
- 5.3 When submitting an application, you will be required to provide 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.
- 5.4 The application form may be downloaded from the Corporation's website (<http://maltaenterprise.com/support>), and should be submitted together with any other additional documentation 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} Applicants must submit a complete application prior to the start of works, i.e. prior to the start of the project. The Corporation may provide formal consent to Applicants, to start the project at their own risk, prior to issuing a final decision.
- ^{6.2} Applications may be submitted until 30th October 2026, 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 Malta Enterprise will initially establish the eligibility of the applicant. If a proposed business research partnership is deemed eligible, the Corporation shall determine whether to award support after considering the following:

- a) the relevance of the innovation actions to the development and/or improvement of products and/or services of the applicant;
- b) the expected growth in business activity and employment to result from the planned innovation actions;
- c) the improved environmental sustainability targets of the planned innovation actions.

7.3 Applicants will be notified in writing of the outcome of their application. If the support is approved, a letter of approval will be issued specifying the value of the aid awarded. The approval letter shall include such terms and conditions as may be set by the Corporation and shall contain details on how to claim reimbursement of eligible costs.

7.4 Beneficiaries will be required to submit at least one annual report and a final report at the end of the secondment detailing the work carried out and achievements. Reports must be endorsed by the Research and Knowledge-Dissemination Organization on a template provided by the Corporation.

7.5 Any modification to an approved project must be notified to Malta Enterprise prior to being applied. A written request describing the proposed changes including comprehensive arguments justifying the changes must be submitted. 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 any of the following:

- a. An approval of the proposed changes.
- b. A revocation or modification of the Letter of Approval.
- c. A change in the amount of aid and/or activities supported. A request for further information on the proposed changes.
- d. A recommendation to reconsider the proposed amendments.
- e. Recovery of funds disbursed.

Additional support can only be awarded in respect of any additional costs committed to and incurred after the request for change is approved.

7.6 Any changes not approved by Malta Enterprise may not be claimed and shall not be supported through this incentive.

8. State Aid Rules and Obligations

- 8.1 The terms and conditions set out in these Guidelines are in line with *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*, 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*, by *Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty*, by *Commission Regulation (EU) 2023/1315 of 23 June 2023 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty*, 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 31 December 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 other current costs linked to export activity.
 - b) contingent upon the use of domestic over 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 28 of the General Block Exemption Regulation.
- 8.5 Rules on Cumulation of Aid shall be in line with Article 8 of the General Block Exemption Regulation.
- 8.6 In line with Article 9(1)(c) of the General Block Exemption Regulation, information regarding any individual aid awards that exceed €100,000 are to be made publicly available on the national State Aid website; for the fishery and aquaculture sector this threshold is set at aid awards in excess of €10,000.

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 (CAP 463 of the Laws of Malta). The Innovation Aid for Small and Medium Sized Enterprises (SMEs) Regulations, Subsidiary Legislation 463.44 (Malta Enterprise Act, CAP 463 of the Laws of Malta) provides the legal basis of this incentive.
- 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 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) Definitions:

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

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 (CAP 463 of the Laws of Malta).

Highly qualified personnel: means staff having a tertiary education degree and at least 5 years of relevant professional experience which may also include doctoral training.

Intangible assets means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property.

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.

'Organisational innovation' means the implementation of a new organisational method at the level of the undertaking (at group level in the given industry sector in the EEA), workplace organisation or external relations, including for instance by making use of novel or innovative digital technologies. Excluded from this definition are changes that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products.

Secondment means temporary employment of staff by a beneficiary with the right for the staff to return to the previous employer.

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 3 years), 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 to Directive 2013/34/EU of the European Parliament and of the Council² and 'share capital' includes, where relevant, any share premium.
- b) In the case of a company where at least some of its members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than 3 years), 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 of its members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II to 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.

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

² Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

quality of, for example, shareholders or members, may not enjoy preferential access to the results generated by it.

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
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Pieta`, MEC 0001
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Tel: 144

Websites: www.maltaenterprise.com

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

Email: info@businessfirst.com.mt