

Incentive Guidelines

Knowledge Transfer



MALTA ENTERPRISE

Issue Date: March 2016

Version: 1

<http://support.maltaenterprise.com>

Malta Enterprise provides interested applicants with support to facilitate the understanding of the objectives and the details relevant to this incentive. Support is also available to address any problems encountered when completing applications. Applicants may contact Business First by calling 144 or by email on info@businessfirst.com.mt.

Contents

1.	Introduction	2
2.	Definitions	3
3.	Eligibility	4
4.	The Incentive	6
5.	Application	8
6.	Determination of eligibility	9
7.	Evaluation and Approval	10
8.	Claims	11
9.	Tax Credits	13
10.	State Aid Rules and Obligations	14
11.	Contact Details	15

1. Introduction

These Incentive Guidelines provide a framework for addressing skill shortages by supporting training and re-skilling of existing and new employees. The aim is to support knowledge transfer, and the acquisition of new competences in line with the knowledge and skill requirements of industry. This incentive will support undertakings to upgrade their skill capabilities, in order to address any mismatches between the skills available, and knowledge requirements.

1.1 Duration of the Incentive

This aid scheme is applicable between 1st March 2016 and 31st December 2020.

Applicants should submit a complete application to Malta Enterprise by not later than **31st October 2020.**

Malta Enterprise may periodically update and amend these Incentive Guidelines. In any case, the applicable Incentive Guidelines shall be those published when the request for assistance is received.

1.2 Legal Basis

Malta Enterprise 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.

Assistance for Knowledge Transfer Regulations, L.N. 178 of 2016, as subsidiary legislation to the Malta Enterprise Act, mentioned in the previous paragraph, forms the national legal basis of this aid scheme.

1.3 Designated Authority

This incentive is administered by Malta Enterprise Corporation (hereinafter referred to as 'the Corporation').

1.4 Budget

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

2. Definitions

2.1 Incentive Entitlement Certificate (IEC)

An *Incentive Entitlement Certificate* (IEC) means a certificate issued in terms of Part VI of the Malta Enterprise Act, outlining the support granted and including any relative terms and conditions.

2.2 Newly Established Undertaking

For the purpose of these Incentive Guidelines, a *Newly Established Undertaking* shall be defined as an undertaking that has been established for less than twenty-four (24) months, as determined from date of registration with the Malta Financial Services Authority (MFSA).

A Newly Established Undertaking would not include any undertaking that closes down and re-opens. Undertakings controlled by owners of previously closed down businesses cannot be considered as a Newly Established Undertaking under this incentive, if the new undertaking is operative in the same or related sectors as that of the closed down firm. This restriction applies for a period of twelve (12) months following such closure.

3. Eligibility

This incentive is available to all undertakings, which satisfy all of the following criteria.

3.1 Eligible Training

The training should be designed to address the skills and knowledge requirements of the applicant. The nature of the training should be:

- i. relevant to the eligible activity of the applicant;
- and
- ii. organised specifically for the employees of the applicant.

3.2 Legal Form

The undertaking is duly incorporated under the Companies Act, Chapter 386 of the Laws of Malta being a partnership en nom collectif, en commandite or a limited liability company.

3.3 Employment

The undertaking (legal person submitting the application) must:

- i. be a newly established undertaking as defined within Section 2 of the Incentive Guidelines;
- or
- ii. an undertaking that has directly employed at least five (5) persons (on full time basis) for the last two (2) fiscal years.

3.4 Activity

The undertakings must be engaged in one (1) of the following Sectors:

Sector	NACE Code
Manufacturing	Section C
Warehousing and storage	52.10
Computer programming activities	62.01
Technical testing and analysis	71.20
Research and experimental development on biotechnology	72.11
Other research and experimental development on natural sciences and engineering	72.19
Specialised design activities	74.10
Activities of call centres	82.20

3.5 Fiscal and Social Security Obligation

Applicants must not be defaulting on VAT, Income Tax, and Social Security.

3.6 State Aid

The applicant must adhere to the applicable State Aid regulations (vide Section 10).

4. The Incentive

4.1 What may be assisted

This measure shall support the development of training programmes, and their implementation. The training should lead to the up skilling and re-skilling of new and existing employees. The training may be delivered by trainers employed by the applicant, engaged from related enterprise or by qualified external providers.

4.2 What are the eligible costs?

The eligible costs shall be the following:

a) Training Needs Analysis and development of Training Programme

Consultancy costs for carrying out a training needs analysis and the development of the training programme. (These are required at application stage and may be considered eligible for tax credits once the training programme is implemented). This assistance is conditional to:

- i. a capping of €100 per employee trained;
and
- ii. an overall capping of €5,000.

b) In-house Training

When the training programme, or part thereof, is delivered by employees of the company, the basic wage cost of such employees, covering the hours during which the employees of the undertaking deliver the training, shall be considered eligible. Only the direct contact hours during which the trainer is delivering the training may be claimed.

c) Training delivered from related enterprises

When the training programme, or part thereof, is delivered by trainers provided from a partner undertaking:

- i. The basic wage cost covering the hours during which the trainer is delivering the training may be claimed. Only the direct contact hours during which the trainer is delivering the training are eligible. If the trainer's basic wage costs are not provided, then the national minimum wage shall be considered as the eligible cost.

Or

- ii. As an alternative to (i) above when the training is provided by a related undertaking, which is not established in Malta, and when the trainer is not resident in Malta, the eligible cost may be considered to be the cost of training as invoiced by the related undertaking for those hours during which the trainers participate in the training.

d) Training Delivered by Qualified External Trainers

Costs of qualified external training service providers engaged to deliver training shall be considered as eligible. These services must be provided by a qualified trainer holding a degree relevant to the training, and who has at least five (5) years work experience in a sector similar to the one for which the training is provided. Only the direct contact hours during which the trainer is delivering the training are eligible.

e) Trainee Basic Wage Costs

Basic wage costs of Trainees, for the hours during which the trainees are participating in the approved training, may be claimed as eligible costs. The trainees need to be formally employed with the beneficiary during the training period¹.

4.3 Form of Aid

The aid shall be granted in the form of a tax credit.

The Corporation may yet approve a cash grant for the partial reimbursement of the wage costs of trainees for undertakings engaged in the Manufacturing Sector. Such cash grants may not exceed the applicable aid intensity and shall be capped at €8 per hour for each employee trained.

4.4 Maximum Aid

The total assistance per undertaking is capped at €1,000,000.

4.5 Aid Intensity

The aid intensity shall be established according to the size of undertaking. The aid intensity applicable shall not exceed the following percentages of the eligible costs:

Size of Undertaking	%
Small	70
Medium	60
Large	50

¹ Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not eligible.

5. Application

An application form is available on the Corporation's website. Applicants should submit the completed application to the Corporation before 31st October 2020. Each application will be required to contain the following information/documentation:

5.1 Application Process

Applications should be submitted prior to the commencement of the training programme.

It is recommended that applications are submitted at least three (3) months before the commencement of the training programme. This should ensure that a decision is issued by the Corporation prior to the commencement of the training programme.

5.2 Justification and Project Description

The application should include sufficient documentation that clearly identifies:

- i. a training needs analysis that clearly identifies the skills gap to be addressed²;
and
- ii. the training plan/programme that has clearly identifiable components specifying how the training will be implemented, and by whom it will be delivered/coordinated;
and
- iii. details of the qualification and experience of any external providers, and how their experience and competencies address the requirements of the applicant;
and
- iv. the expected outcome of the training programme.

5.3 Employment

The applicant will be required to submit the documentation issued by the Employment and Training Corporation (ETC), showing the number of full-time employees for the past two (2) years.

5.4 Enterprise Size Declaration Form

The applicant will be required to duly fill in the enterprise size declaration, and provide details in relation to employment, turnover and balance sheet totals of the applicant, and any other related undertaking.

² The cost incurred for the development of the training needs analysis shall be considered as eligible costs as specified in section 4.2

6. Determination of eligibility

The information below explains how the Corporation will verify the eligibility of applicants by addressing the eligibility criteria established in Section 3 of this document. The Corporation reserves the right to update and revise these processes with retrospective effect.

6.1 Eligible Training

The details provided in the application form shall be used to determine the eligibility of the proposed training programme. The Corporation may reject the application or specific parts of the proposed training programme.

6.2 Eligible Activity

In order to verify the activity of the applicant, the Corporation:

- i. Will use the official NACE classification attributed to the applicant as determined by the National Statistics Office (NSO).³
- ii. Will conduct a review of objects listed in the Memorandum and Article of association.
- iii. May conduct an onsite verification of the activities carried out by the applicant.

6.3 Number of employees engaged with the Applicant (legal person applying)

The applicant will be required to submit the employment history issued by the Employment and Training Corporation (ETC) showing the number of full-time employees for the past two (2) fiscal years.

6.4 Enterprise Size

In order to confirm the size of the applicant, the Corporation will verify with the Employment and Training Corporation (ETC) data in relation to employment and with the MFSA any relations that the applicant might have to other undertakings.

The Enterprise Size Declaration must be verified by a Certified Public Accountant (CPA).

³ If the official NACE is not yet assigned the Corporation shall use its discretion to determine the main activity of the applicant on the basis of the information available and if possible through onsite verifications.

7. Evaluation and Approval

7.1 Evaluation Process

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.

7.2 Evaluation Parameters

Each submission will be reviewed on its own merits. Any support will be awarded at the sole discretion of the Corporation, following a review of the:

- i. economic feasibility of the training being proposed;
- ii. qualification and experience of any external service providers;
- iii. alignment of the proposed training with the operations of the applicant; and
- iv. strength of the justification provided in the applicant submission.

7.3 Awards

Following its evaluation the Corporation will determine the value of aid, if any, which will be awarded to the applicant.

The Corporation may 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. The outcome shall be communicated to the applicant, and successful applicants will be issued an IEC specifying the terms and conditions of the award. The IEC will specify the maximum value which may be claimed in tax credits, and any amounts which may be reimbursed directly through financial grants.

7.4 Terms and Conditions of Award

The IEC is to be returned signed to the Corporation within thirty (30) days from the date it is issued by the Corporation, and shall become effective once the applicant submits the first claim, which may not be later than one (1) year from the date of the IEC.

8. Claims

8.1 Claims Process

Claims should be submitted on the claim form provided by the Corporation which may be downloaded from the Corporation's website, and claims are to be submitted covering intervals which are not shorter than six (6) months.

The final claim must be submitted within three (3) months from the end of the training programme, as identified in the IEC.

When processing claims the Corporation may request further information, and clarifications, beyond the information requested in the claim form, so as to determine whether the support should be awarded.

8.2 Claims Documentation

When submitting the claim the beneficiary should submit all the documentation as required in the claim form issued by the Corporation. This form may be periodically updated to address additional requirements. The following list provides a non exhaustive list of documents which will be required at claim stage:

- i. A copy of the training and material provided.
- ii. ETC engagement form or equivalent of trainees and trainer employed with the undertaking.
- iii. Pay slips covering the months during which training was delivered for the trainees and trainer employed with the undertaking. Payslips submitted should be countersigned by the employee.
- iv. The Attendance / Time Sheets for each training session. This should be submitted on the template provided by the Corporation and must be signed by both the trainer delivering the session and a representative of the undertaking.
- v. Copies of certificates issued to trainees confirming participation in training programme.
- vi. When claiming involved costs, 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 13th Schedule of Chapter 406 of the VAT Act).
- vii. When claiming cash grants, the undertaking will be required to provide confirmations issued not earlier than six (6) months prior to the date of submitting the claim that the undertaking is up to date or is honouring a repayment agreement in respect to Income Tax, and Social Security payments and VAT payments.

8.3 Revocation and suspension of aid

All projects are subject to audits and evaluations.

The assistance may be revoked, or suspended, if the beneficiary does not adhere to the conditions established in these Incentive Guidelines and in the IEC. 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.

9. Tax Credits

9.1 Tax Credit Certificate

Following a positive review of a claim form the Corporation shall issue a Tax Credit Certificate. The awarded Tax Credit may be claimed in the tax return from the year of assessment immediately following the year in which the relative expenditure is incurred.

The Tax Credit Certificate may only be used against tax due and may not be used to settle any pending tax payments.

9.2 Utilisation of Tax Credits

When the undertaking does not utilise the awarded Tax Credits they shall be carried forward to subsequent years of assessment. In this respect any Tax Credits not utilised shall be accumulated with any other tax credits awarded to the undertaking under the provision of the *Investment Aid (July 2014) Regulations*, as subsidiary legislation 463.10 to the *Malta Enterprise Act, Chapter 463 of the Laws of Malta*.

10. State Aid Rules and Obligations

10.1 Applicable State Aid

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 4.

The incentive is not applicable to the following:

- a. Activities listed down in Article 1 (2), (3), (4) and (5) of Commission Regulation No 651/2014 of 17 June 2014.
- b. Undertakings in difficulty defined in terms of the Commission Regulation (EU) No 651/2014 of 17 June 2014. Such firms are excluded from benefiting from assistance under this incentive.

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

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

- i. 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.
- ii. A contingent upon the use of domestic in preference to imported goods.
- iii. in favour of a beneficiary which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market should be excluded from the scope of this Regulation.

10.2 Rules on Cumulation of Aid

Rule on cumulation of aid shall be in line with Article 8 of the Commission Regulation (EU) No 651/2014 of 17th June 2014.

⁴ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=EN>

11. Contact Details

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

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

Tel: 144

Websites: www.maltaenterprise.com
www.businessfirst.com.mt

Email: info.businessfirst@maltaenterprise.com