



MALTAENTERPRISE

Research and Development 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

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1. Introduction

1.1 Objective

1.1.1 The aim of this incentive is to assist Industrial Research and Experimental Development activities required by industry for the acquisition of knowledge leading to the development of innovative products and solutions.

1.1.2 The measure also encourages cooperation between organisations by providing additional assistance for collaborative Industrial Research or Experimental Development projects. These projects may include projects accepted and endorsed by the EUREKA Network under its various instruments: Network projects, European Partnership on Innovative SMEs / Eurostars, Clusters.

1.2 Duration of the incentive

1.2.1 This incentive shall be available from 1st January 2024 until the 31st December 2026. The Corporation may periodically update and amend these Incentive Guidelines and may terminate the incentive at an earlier date. Any request for assistance shall be considered by applying the conditions established in the last version of the Incentive Guidelines published before the date when the request for assistance is received.

1.3 Budget

1.3.1 This scheme shall have a budget of five million euro per annum (€5,000,000) and an overall budget of fifteen million euro (€15,000,000).

1.3.2 Annually the Corporation may establish a cash budget representing a percentage of the total annual budget which may be awarded to projects. Part of this cash budget may be specifically allocated to support projects accepted and endorsed by the EUREKA Network.

1.4 Legal Basis

1.4.1 Malta Enterprise Corporation may issue and publish Incentive Guidelines in terms of Article 8 (3)(a) of the Malta Enterprise Act (CAP 463 of the Laws of Malta). **The Research and Development Regulations 2024** as subsidiary legislation 463.XX *¹ to the Malta Enterprise Act form the specific legal basis for these Incentive Guidelines. These incentive guidelines should be construed in accordance with this legal notice.

¹ Subsidiary Legislation will be updated once published

2. Definitions

2.0.1 The following definitions shall apply for the purpose of these Incentive Guidelines. These definitions replicate the definitions found in the General Block Exemption Regulation (Commission Regulation (EU) No 651/2014 of 17th June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, as amended).

2.1 Industrial Research

2.1.1A '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 aimed at bringing about a significant improvement in existing products, processes or services, including digital products, processes or services, in any area, technology, industry or sector (including, but not limited to, digital industries and technologies, such as super-computing, quantum technologies, block chain technologies, artificial intelligence, cyber security, big data and cloud technologies).

2.1.1B Industrial research 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.

2.2 Experimental Development

2.2.1 '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, including digital products, processes or services, in any area, technology, industry or sector (including, but not limited to, digital industries and technologies, such as for example super-computing, quantum technologies, block chain technologies, artificial intelligence, cyber security, big data and cloud or edge technologies). This may also encompass, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services.

2.2.2 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.

2.2.3 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.

2.3 Effective Collaboration

2.3.1 'effective collaboration' means collaboration between at least two independent parties to exchange knowledge or technology, or to achieve a common objective based on the division of labour where the parties jointly define the scope of the collaborative project, contribute to its implementation and share its risks, as well as its results. One or several parties may bear the full costs of the project and thus relieve other parties of its financial risks. Contract research and provision of research services are not considered forms of collaboration.

2.4 Research and Knowledge-dissemination Organisation

2.4.1 '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.

2.5 Small and Medium-sized Enterprise (SME)

2.5.1 An 'SME' is an undertaking which fulfils the criteria laid down in Annex I of the General Block Exemption Regulation.

2.6 Large Undertaking

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

2.7 Undertaking in Difficulty

2.7.1 '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 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.

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).

- 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.

2.8 Arm's length

- 2.8.1A '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 undertakings 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;

2.9 Start of works

- 2.9.1 '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;

3. Incentive Description

3.1 Details of Incentive

- 3.1.1 This incentive may be awarded to undertakings that aim to achieve further economic growth through innovation and that require Industrial Research and/or Experimental Development to address the uncertainties towards achieving their objectives.
- 3.1.2 The Aid provided under these Incentive Guidelines may be awarded as Tax Credits, Cash Grants or a combination of any of these forms of aid. The total aid (value of aid) awarded cannot exceed the maximum support limits established in these Guidelines.
- 3.1.3 Cash Grants shall in principle be awarded on end finance basis, that is, beneficiaries may claim reimbursement of costs incurred. The Corporation may accept to provide up to thirty percent (30%) of the approved amount as front financing. To be awarded a cash grant, applicants will need to demonstrate access to personal and private funds and explain how the shortfall between the funding awarded and the cost for implementing the project successfully will be covered.
- 3.1.4 The form and extent of aid is at the sole discretion of the Corporation.
- 3.1.5 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.
- 3.1.6 For projects that involve international collaboration, applicants are encouraged to contact the national project coordinator for EUREKA projects to obtain information about requirements and processes applicable to participation in EUREKA instruments: Network projects, European Partnership on Innovative SMEs / Eurostars and Clusters. The national project coordinator for EUREKA projects may be contacted by sending an email on eureka@maltaenterprise.com

3.4 Maximum Aid Intensities

- 3.4.1 The aid intensity is 50 % of the eligible costs for industrial research and 25 % of the eligible costs for experimental development, in the case of large undertakings.
- 3.4.2 The aid intensities for industrial research and experimental development may be increased up to a maximum aid intensity of 80 % of the eligible costs in line with the following points (a) to (d), where points (b), (c) and (d) must not be combined with each other:
- a. by 10 percentage points (10%) for medium-sized enterprises and by 20 percentage points (20%) for small enterprises;
 - b. by 15 percentage points (15%) if one of the following conditions is fulfilled:
 - i. the project involves effective collaboration:
 - between undertakings among which at least one is an SME, or is carried out in at least two Member States, or in a Member State and in a Contracting

- Party of the EEA Agreement, and no single undertaking bears more than 70 % of the eligible costs,
- or
- between an undertaking and one or more research and knowledge-dissemination organisations, where the latter bear at least 10 % of the eligible costs and have the right to publish their own research results;
- ii. the results of the project are widely disseminated through conferences, publication, open access repositories, or free or open source software;
- iii. the beneficiary commits to, on a timely basis, make available licences for research results of aided R&D projects, which are protected by intellectual property rights, at a market price and on non-exclusive and non-discriminatory basis for use by interested parties in the EEA;
- c. by 5 percentage points if the R&D project is carried out in an assisted area fulfilling the conditions of Article 107(3)(c) of the Treaty, as published in Annex B of the incentive guidelines at the date of submission of application;
- d. by 25 percentage points if the R&D project:
- i. has been selected by Malta following an open call to form part of a project jointly designed by at least three Member States or contracting parties to the EEA Agreement;
- and
- ii. involves effective collaboration between undertakings in at least two Member States or contracting parties to the EEA Agreement when the beneficiary is a SME, or in at least three Member States or contracting parties to the EEA Agreement when the beneficiary is a large enterprise;
- and
- iii. if at least one the two following conditions is fulfilled:
 - the results of the R&D project are widely disseminated in at least three Member States or contracting parties to the EEA Agreement through conferences, publication, open access repositories, or free or open source software;
- or
- the beneficiary commits to, on a timely basis, make available licences for research results of aided R&D projects, which are protected by intellectual property rights, at a market price and on non-exclusive and non-discriminatory basis for use by interested parties in the EEA.

Enterprise Size	Experimental Development	Industrial Research
Large Enterprise	25 %	50 %
Medium-sized Enterprises	35 %	60 %
Small Enterprises	45 %	70 %
Additional Support – the following percentages may not be combined with each other, and the maximum aid intensity cannot exceed 80%:		
Projects in line with the terms of point (b) above: Collaborative Projects; Projects the results of which are widely disseminated; Projects that make available licenses for research results	(+) 15 %	
Project carried out in assisted regions areas in terms of point (c) above	(+) 5 %	
Project in line with the terms of point (d) above	(+) 25 %	

4. Eligibility

4.1 Eligible Undertakings

4.1.1

In order to be eligible, applicants must satisfy the following criteria. They must be either:

- a. a partnership constituted under the Companies Act³, being a partnership *en nom collectif*, *en commandite* or a limited liability company;
or
- b. a body 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;
or
- c. be duly registered as a co-operative society under the Co-Operative Societies Act⁴.

4.2 Exclusions

4.2.1

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 the condition that the applicant commits to regularise these dues within an established timeframe.

4.2.2

The incentive does not apply to the following:

- a. Any undertaking whose activities are listed down in Article 1 (2), (3), (4) and (5) of the General Block Exemption Regulation [where applicable].
- b. Any 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. A Research and knowledge-dissemination organisation;
- d. Public Entities, 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, whether or not such commercial undertakings carry out exclusively an economic activity in direct competition with third parties and in which Government has a controlling interest;
- 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.

³ CAP 386 of the Laws of Malta:<http://justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8853&l=1>

⁴ CAP 442 of the Laws of Malta:<http://justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8908&l=1>

5. Eligible costs

5.0.1 The following costs are considered as eligible as long as they are incurred in relation to an approved Industrial Research or Experimental Development project. All costs must be linked to detailed objectives, tasks, expected outcomes and estimated timeframes.

5.1 Personnel costs

5.1.1 Wages of researchers, technicians and other supporting staff to the extent to which they are employed on the project;

- a. Eligible wage costs shall be calculated on the gross salary but shall not include any bonuses, allowances, per diem, private insurances and any other benefit paid by the employer whether such benefit is included in the employment contract or not.
- b. All employees in respect of whom costs are claimed must be registered with Jobsplus and covered by a valid contract of employment in terms of the national legislation on employment.
- c. Personnel costs are calculated by multiplying the time the employee was directly engaged on the approved research project with the hourly salary. The hourly salary of a full-time employee shall be established by dividing the annual salary by 1760 hours.

5.1.2 Timesheets (or an information system) must be utilised to measure the time an employee dedicates to the project and the tasks carried out during the relevant period.

5.2 Instruments and equipment

5.2.1 Costs of instruments and equipment shall be considered as eligible to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the duration of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible. (The Corporation shall adopt the provisions of Subsidiary Legislation 123.01 to the Income Tax Act, *Deduction for Wear and Tear of Plant and Machinery Rules* to established depreciation period and costs on Instruments and equipment claimed.)⁵

5.3 Contractual research, technical knowledge and patents

5.3.1 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 used exclusively for the research project.

5.3.2 Costs of consultancy and equivalent services must be rendered by:

- a. experts in the relevant field of research that have successfully completed doctoral training;
- b. universities;
- c. research and knowledge-dissemination organisations; or
- d. technical laboratories or other similar infrastructures.

⁵ <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=9309&l=1>

5.4 Land and Buildings

5.4.1 Costs of buildings and land, to the extent and for the duration period used for the project. With regard to buildings, only the depreciation costs corresponding to the duration of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible.

5.5 Other operating expenses

5.5.1 Additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project.

5.5.2 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 project.

5.5.3 Applicants may request that operating expenditure is calculated as a flat-rate of up to 20 %, applied to total eligible R&D project costs referred to in sections 5.1, 5.2, 5.3 and 5.4. In this case, the R&D project costs used for the calculation of the indirect costs shall be established on the basis of normal accounting practices and shall comprise only eligible R&D project costs referred to in section 5.1, 5.2, 5.3 and 5.4).

5.6 Ineligible costs

5.6.1 Any cost incurred not covered by the above sections shall not be considered eligible and the inclusion of the following costs as part of any cost item should be deducted.

- a. Costs related to shipping of equipment, supplies, materials etc;
- b. Costs related to repair and maintenance of plant, equipment and buildings;
- c. Tax including Value Added Tax (VAT) and other duties.

6. Applying for this incentive

6.1 Applying for support

- 6.1.1 Applications for support must be submitted by 30th September 2026. Any incomplete applications shall be rejected.
- 6.1.2 Applicants are to complete the application form and submit all the documentation to Malta Enterprise through the Corporation's client portal. (Applicants for EUREKA instruments must refer to the application processes related to these programmes as described in Annex A).
- 6.1.3 Applicants shall be required to provide the following information on the templates provided by the Corporation:
- a. a clear description of the project;
 - b. estimated project start and end dates;
 - c. the location or locations where the project is to be implemented;
 - d. a breakdown of the budgeted expenditure (on templates provided by the Corporation) ;
 - e. a project plan identifying the critical path key milestones;
- 6.1.4 Projects that include both industrial research and experimental development activities should provide a clear demarcation between the industrial research and experimental development activities. This should entail:
- a. a separate breakdown of the budgeted expenditure for industrial research and experimental development activities; and
 - b. a project plan that identifies the element of industrial research and experimental development activities separately.
- 6.1.5 The applicant will be expected to clearly explain the technological or scientific uncertainties that the project aims to address, thus establishing clear project tasks and deliverables and explain how these align to the business activity.

6.2 Applying for Support – EUREKA Instruments

- 6.2.1 Request for support through EUREKA instruments (Network projects, European Partnership on Innovative SMEs / Eurostars and Clusters), detailed in annex A, have specific application and evaluation processes as defined under the specific programmes. Projects approved under these instruments through the respective evaluation processes shall be considered for support by the Corporation in terms of these guidelines.

6.3 Evaluation of applications

- 6.3.1 The Corporation shall consider awarding cash grants to projects that are expected to generate further growth to the Maltese economy in terms of economic activity, employment and knowledge.
- 6.3.2 As long as the budget for the scheme is not exceeded all applications received that are deemed by the Corporation to satisfy the definitions of Industrial Research and/or Experimental Development, shall be supported through tax credits within the parameters established in these Incentive Guidelines.

6.4 Notification of results

6.4.1 Applicants will be notified in writing of the outcome of their application.

6.4.2 Once an R&D project is approved, a letter of approval will be issued specifying the value and form of the aid awarded and including such terms and conditions as may be set by the Corporation.

6.5 Publication of results

6.5.1 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.

6.6 Changes to Approved Assistance

6.6.1 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. Revocation of any tax credits or 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.

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

7. Claims

7.1 Submitting a claim

7.1.1 Tax credits and cash grants may be claimed through the submission of Progress Reports and/or a Final Report. Following the submission of the report Malta Enterprise will review the documentation and establish the eligible value. Consequently, for aid awarded as:

- a. cash grants, Malta Enterprise will issue a reimbursement of costs incurred;
- b. tax credits, Malta Enterprise will issue a Tax Credit Certificate confirming the value of tax credit awarded.

Malta Enterprise shall reimburse the beneficiary as specified in these Guidelines and in accordance with the terms and conditions of the Letter of Approval awarding the aid.

7.2 Progress Reports and Final Report

7.2.1 The beneficiary will be required to submit a progress report on the template provided by the Corporation at least on an annual basis. (EUREKA instruments may require additional submission as described in Annex A). The report shall include the following documentation:

- a. A written review of the progress achieved, and any unforeseen difficulties encountered;
- b. The original fiscal documents (either a fiscal invoice or a fiscal receipt with a copy of the invoice);
- c. Payslips covering the relevant periods for all the employees whose wage costs are claimed.
- d. Time records showing the time the person(s) spent directly engaged on the research project.
- e. Documentation of how the depreciation costs claimed were calculated;
- f. Documentation quantifying and qualifying how materials, supplies and similar products were utilised establishing the actual project cost incurred;

7.2.2 The Corporation shall require that the report is signed by the person leading the research project, the legal representative of the beneficiary and a certified public accountant.

7.2.3 Any required documentation not submitted with the progress or final reports may render the whole project or one or more cost items as ineligible. In this case any tax credits and cash grants already awarded may be recovered.

7.3 Verification of progress and final reports

7.3.1 The Corporation will review all documentation to ensure that the project is being or was implemented according to:

- a. these Incentive Guidelines;
- b. the terms and conditions set in the Letter of Approval issued by the Corporation;
- c. the General Block Exemption Regulation.

7.3.2 Malta Enterprise may carry out or commission third parties to carry out on-site checks during the implementation period and up to five (5) years from completion of the project in order to verify the implementation of the project, its consistency with the submitted

documentation and the actual works carried out. Such visits may also entail a review of the tax credit claimed in relation to the documentation submitted.

7.4 Utilisation of Tax Credits

- 7.4.1 The Corporation shall issue a tax credit certificate following the presentation of documentation by the Beneficiary confirming that the eligible costs have been incurred. Tax Credits may only be claimed in the Beneficiary's tax return on presentation of this certificate.
- 7.4.2 Any Tax Credits awarded under this incentive shall not give rise to a right of any tax refund.
- 7.4.3 Any Tax Credits not utilised shall be carried forward to the following year of assessment and shall be adjusted with the reference rate applicable at the time. The process of carrying forward tax credits shall be repeated until they are utilised.
- 7.4.4 No Tax Credit shall be due to an undertaking for a year of assessment unless it is claimed by the beneficiary using the appropriate provisions as established at the time by the Corporation and the Revenue Department.
- 7.4.5 Any Tax Credit not utilised may be carried forward to following years of assessment.

7.5 Retention of Documentation

- 7.5.1 The beneficiary shall keep all documentation in relation to the project for at least ten (10) years from the date on which the final claim is processed by the Corporation.

8. State Aid Rules and Obligations

8.1 Applicable State Aid Rules

8.1.1 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, and 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 (referred to as the General Block Exemption Regulation).

8.1.2 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 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.

8.1.3 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 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.

8.2. Maximum Aid

8.2.1 This support is designed under Article 25 of the General Block Exemption Regulation.

8.2.2 If the project is predominantly industrial research the maximum support may not exceed €35 million per undertaking, per project, that is the case where more than half of the eligible costs of the project are incurred through activities which fall within the category of industrial research;

8.2.3 If the project is predominantly experimental development, the maximum support may not exceed €25 million per undertaking, per project, that is the case where more than half of

the eligible costs of the project are incurred through activities which fall within the category of experimental development.

8.3 Rules on Cumulation of Aid

8.3.1 Rules on Cumulation of Aid shall be in line with Article 8 of the General Block Exemption Regulation.

8.4 Publication

8.4.1 In line with Article 9(1)(c) of the General Block Exemption Regulation, information regarding any individual aid awards that exceed €100,000 (or for beneficiaries active in primary agricultural production or in the fishery and aquaculture sector, any individual aid award exceeding €10,000) is to be made publicly available on the national State aid website.

9. 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: Malta Enterprise
Gwardamangia Hill,
Pieta`, MEC 0001
Malta.

Tel: 144

Websites: www.maltaenterprise.com

Email: info@businessfirst.com.mt

Eureka National Contact: eureka@maltaenterprise.com

ANNEX A – EUREKA and its instruments: Network Projects, European Partnership on Innovative SMEs / Eurostars, Clusters

A.1 EUREKA Introduction

A.1.1 Since 1985 EUREKA is an intergovernmental network that supports market-oriented R&D and innovation projects by industry, research centres and universities across all technological sectors. It is composed of over 40 countries, including the European Community.

A.1.2 Over the years, EUREKA network developed various instruments, such as Network Projects, European Partnership on Innovative SMEs / Eurostars, Clusters to facilitate cross-border R&D&I collaborative projects between participants from its member countries. EUREKA labels these projects, for project participants to often find funding and support through the national innovation agencies and public administrations that make up the EUREKA network.

A.2 Eligible EUREKA Projects

A.2.1 For a project to be eligible for EUREKA endorsement it should:

- a) be cross-border, that is, the research and development activities should be carried out in at least two different countries (members of the EUREKA Network depending upon the R&D instrument being considered), one of them being Malta;
- b) comply with the definitions of Industrial Research or Experimental Development set in these guidelines;
- c) be approved by the EUREKA network;
- d) be completed within thirty-six (36) months;
- e) provide technological novelty; and
- f) be market oriented, that is, the project should lead to a marketable product, process or service that has a 'civilian' (non-military) purpose.

A.2.2 In addition for a project to be considered eligible no single undertaking participating in the project should bear more than 70% of the eligible costs.

A.2.3 EUREKA network has specific requirements, evaluation parameters and processes applicable to different instruments it uses.

A.3 Further Information

A.3.1 Further information about EUREKA network and its instruments may be accessed at <http://www.eurekanetwork.org>

A.3.2 EUREKA information can be obtained by contacting the national project coordinator by sending an email to eureka@maltaenterprise.com

A.4 EUREKA instrument - Network Projects

A.4.1 Network projects are market-oriented R&D projects, often SME-led, involving partners from EUREKA member countries, that form a consortium to develop new products,

processes and/or services for which they agree upon the Intellectual property rights and build partnerships to penetrate new markets.

A.4.2 In order to be eligible as a Network project the following minimum conditions have to be met:

- a) At least 2 independent legal entities as partners from different EUREKA member countries have to collaborate on the project;
- b) No single undertaking participating in the project bears more than 70% of the eligible costs;
- c) The project must be aimed at the development of a product, process or service which represents a significant advance in the sector;
- d) The project results have to be ready-to-market;
- e) The project must have a civilian purpose.

A.4.3 Interested applicants are encouraged to contact Malta Enterprise prior to project submission. Different member countries may have different support measures applicable to Network project participants.

Application

A.4.4 Undertakings applying for the Network Project form a project consortium and nominate a main partner that will initiate and submit the joint EUREKA Project application form to EUREKA network via the application portal. This form focuses on cross-border project collaboration.

A.4.5 Malta participant in the Network Project will also have to submit the National Application Form with the documentation required to Malta Enterprise through the Corporation's client portal. This form focuses on Malta participant activities within the project.

A.4.6 Both applications will be considered in parallel and the aid to be awarded to Malta participant would be established by Malta Enterprise. Once the project is approved by the EUREKA Network, the Corporation will issue a letter of approval in terms of these guidelines.

Project Evaluation

A.4.7 The EUREKA network has specific evaluation parameters and processes. Project evaluation will be carried out accordingly and Malta Enterprise will consider the expected benefits that the applicant should achieve from participation and implementation. If the project is deemed to meet EUREKA requirements, Malta Enterprise will propose the project to the EUREKA network for endorsement. The project will be required to achieve a positive evaluation of each of the following four criteria.

- a) **Crucial Criteria:** The applicant has demonstrated the financial capacity to implement the project and that a comprehensive formal agreement has been established between the project partners.
- b) **Basic Assessment:** The applicant has provided a clear project methodology and has proven that the project partners bring together the competences, experiences, skills and resources required for the project and that there is synergy and clarity in respect of the sharing of risks, costs, know-how, benefits within the project timeframe and beyond.
- c) **Technology and Innovation:** The project should result in a significant development that will have an impact on industry resulting in new products, processes or services.

- d) **Market & Competitiveness:** The resulting products, processes or services are to provide a competitive advantage that may be exploited by one or more of the partners to establish or achieve a significant market presence.
- e) **National Priorities:** Through participation in the project the applicant should envisage an increase in employment, investment and industrial activity in Malta.

A.5 EUREKA Instrument - European Partnership on Innovative SMEs / Eurostars

- A.5.1 Eurostars is part of the European Partnership on Innovative SMEs. The partnership is co-funded by the European Union through Horizon Europe. It is the largest international funding programme for SMEs wishing to collaborate on R&D projects that create innovative products, processes or services for commercialisation..
- A.5.2 Eurostars project consortium must spotlight an innovative SME from a Eurostars country as the main project participant. An innovative SME is any SME with the ambition to collaborate on R&D and innovation with international partners to develop new products, processes and services for European and global markets. Innovative SMEs do not need to have a proven track record of R&D activities. SME stands for small and medium-sized enterprise as defined in European Union law (EU recommendation 2003/361).
- A.5.3 In order to be eligible as a European Partnership on Innovative SMEs / Eurostars project the following minimum conditions have to be met:
 - a. The main project participant must be innovative SME from a Eurostars country.
 - b. The project consortium is composed of entities from at least two participating countries with a minimum of one organisation from an EU or Horizon Europe Associated Country
 - c. At least 50% of the project's core activity (excluding any subcontracting), should be carried out by the SMEs from participating countries.
 - d. The project should be market driven, that is
 - i. The project duration should not exceed 3 years
 - ii. The market introduction of the project outcome is planned to occur within 2 years of project completion

Application

- A.5.4 Applications focusing on cross-border project collaboration should be submitted by the consortium first using the online application form, via the application portal. In parallel, the Malta participants are to send required support documentation to r&d@maltaenterprise.com at the same time as submitting a Eurostars application.
- A.5.5 After the submission deadline, a centralised evaluation process starts, managed by the EUREKA Secretariat. Evaluation looks into quality and efficiency of implementation, excellence in innovation and R&D, market and commercialisation impact together with other checks carried out and the ranking scores are allocated, reflecting on the application quality. Highly-ranked projects are earmarked for funding and the relevant national funding bodies are informed to approve support to each participant.
- A.5.6 The Malta participant in the European Partnership on Innovative SMEs / Eurostars Project will have to submit the National Application Form with the documentation required to Malta Enterprise through the Corporation's client portal. This form focuses on Malta participant activities within the project. Further to consideration, the aid to be awarded to Malta participant would be approved by Malta Enterprise and the EUREKA Secretariat is informed accordingly.

Projects approved for funding earn the right to be officially recognised as a European Partnership on Innovative SMEs / Eurostars project.

A.6 EUREKA instrument - Clusters

A.6.1 Initiated by European industry, EUREKA Clusters are thematic funding programmes driven by communities of large companies, SMEs, universities, research institutes and end users with the R&D projects that cover a whole value chain to develop technologies of key importance for European competitiveness. Addressing the needs of different participants, they are the engine for industrial innovation and economic growth. A typical cluster project includes various types of participants from 3-4 countries. Specific Cluster provisions on participation conditions may be applicable.

Application and project evaluation

A.6.2 Clusters use dedicated websites and issue calls. They organise information days to facilitate project preparation, enabling potential participants to meet up and to develop a project idea, to draw up relevant proposals focusing on cross-border cluster project collaboration for an online submission through Cluster portal.

A.6.3 EUREKA Cluster projects are completed and evaluated following each Cluster's internal procedures. Highly-ranked projects are earmarked for funding with Cluster label awarded and the relevant national funding bodies are informed to approve support to each participant.

The Malta participant in the Cluster Project will have to submit the National Application Form with the documentation required to Malta Enterprise through the Corporation's client portal. This form focuses on Malta participant activities within the project. Further to consideration, the aid to be awarded to Malta participant would be approved by Malta Enterprise and the EUREKA Cluster is informed accordingly.

ANNEX B – Assisted areas

<p>MT001101 Valletta; MT001103 Birgu; MT001104 Isla; MT001105 Bormla; MT001118 Floriana; MT001129 Kalkara; MT001133 Luqa; MT001134 Marsa; MT001145 Paola; MT001206 Qormi; MT001214 Birkirkara;</p>	<p>MT001221 Gzira; MT001246 Pembroke; MT001252 San Giljan; MT001253 San Gwann; MT001259 Sliema; MT001310 Zejtun; MT001315 Birzebbuga; MT001331 Kirkop; MT001335 Marsascula; MT001336 Marsaxlokk; MT001351 Safi;</p>	<p>MT001402 Mdina; MT001407 Zebbug (Malta); MT001412 Attard; MT001416 Dingli; MT001450 Rabat (Malta); MT001537 Mellieha; MT001539 Mosta; MT001544 Naxxar; MT001555 San Pawl il-Bahar. MT002 Gozo and Comino</p>
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