



**MALTA**ENTERPRISE

# Skills 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](mailto:info@businessfirst.com.mt)

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# 1. Introduction

1.0.1 Through this scheme, Malta Enterprise (hereinafter referred to as the 'Corporation') shall support business undertakings to provide training to develop and update the skills and knowledge of their workforce and to train new employees to acquire the necessary skills and knowledge to perform effectively.

1.0.2 Through the supported training it is envisaged that assisted undertakings will upgrade the skills of their employees, address skills shortages, facilitate re-skilling, tackle skill gaps and strive towards developing a knowledge-based workforce.

## 1.1 Duration of the Incentive

This measure shall be applicable until 31<sup>st</sup> December 2026. While the Corporation may periodically update and amend these Incentive Guidelines, the applicable Incentive Guidelines shall be those published at the time when the request for assistance is received.

## 1.2 Legal Basis

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

1.2.2 The *Skills Development (2024) Regulations*, as subsidiary legislation 463.54 to the Malta Enterprise Act, form the national legal basis of this aid scheme. These incentive guidelines should be construed in accordance with this legal notice.

## 1.3 Budget

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

## 2. Definitions

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

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

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

### 2.2 Undertaking in Difficulty

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

- a) In the case of a limited liability company (other than an SME that has been in existence for less than three years), 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), 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.

### 2.3 Start of works

2.3.1 '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.

## **2.4 Large enterprises**

- 2.4.1 'Large enterprises' means undertakings not fulfilling the criteria laid down in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014, as amended.

## 3. Eligibility

### 3.1 Eligible Entities

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

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

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

3.1.3 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.

### 3.2 Qualifying Training

3.2.1 The Corporation shall consider supporting training that meets at least one of the following criteria:

- a) training that leads to the acquisition of skills, knowhow or knowledge directly related to the business operations of the applicant undertaking and the development of the current and future function of the trainees within the organisation;
- b) training provided to non-Maltese employees to support them in learning the Maltese language and culture;
- c) training in the use of digital technologies, digital communications, cyber security, and other topics related to digitisation;
- d) training on improving the applicant's position vis-a-vis Environmental, Social and Corporate Governance practices.

3.2.3 Training shall be provided by qualified trainers employed by the applicant or engaged specifically for the delivery of the training.

3.2.4 The Applicant must identify clear learning outcomes to be achieved from the training and establish a methodology on how the attainment of these outcomes will be measured at the end of the session(s).

3.2.5 The Corporation shall support training that:

- a) is delivered to at least 5 employees, and that has a duration of at least six (6) hours; or

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<sup>1</sup><https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20210801>

- b) has the scope of training employees in the use of heavy machinery and specialised equipment and requires individual or group training sessions of not less than four (4) hours; or
- c) has the scope of training workers with disabilities or disadvantaged workers in carrying out their roles.

3.2.6 Training in excess of six (6) hours should be split into training modules.

3.2.7 The Corporation may support training delivered by:

- a) other employees of the Applicant;
- b) employees of related enterprises;
- c) external experts<sup>2</sup>.

Trainers employed by the Applicant or related enterprises are required to hold a degree in the subject of the training being delivered.<sup>3</sup>

### 3.3 Ineligible Training

3.3.1 Team building activities and training which focuses on corporate culture, values, organisational behaviour, brand identity and similar company focused actions specific to the employer are not covered by this measure.

3.3.2 Training which undertakings carry out to comply with national mandatory standards on training as established by national law cannot be supported.

3.3.3 Routine training which is carried out periodically, such as training aimed to keep employees updated of current processes and procedures, is also ineligible.

3.3.4 Any training related to the Gambling sector is ineligible.

### 3.4 Qualifying Activity

3.4.1 In addition to the criteria established above (in section 3.2), the Corporation shall only support eligible undertakings whose main activity is defined under the following specific categories, as provided in *NACE Rev.2 Statistical classification of economic activities in the European Community*.<sup>4</sup>

<u>NACE</u>	<u>Activity</u>
A	Agriculture, forestry and fishing
C	Manufacturing
E	Water supply, sewerage, waste management and remediation activities
F	Construction
G.47	Retail trade, except of motor vehicles and motorcycles
H	Transportation and storage

<sup>2</sup> For training to be delivered by external experts the Corporation may request the Applicant to confirm that such training is not and may not be supported by other public organisation such as Jobsplus Corporation.

<sup>3</sup> Where internal trainers do not hold a degree in the area of training they are delivering, the Corporation may consider eligible internal trainers that hold a Train the Trainer qualification (or equivalent), of at least MQF Level 5.

<sup>4</sup> <http://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF>

I	Accommodation and food service activities
J	Information and communication
K	Financial and Insurance Activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other Service Activities



## 4. The Incentive

### 4.1 Eligible costs

4.1.1 The Corporation shall provide support in relation to the following costs:

- a) Wage costs of trainees, covering direct contact hours during which the trainer and trainee are interacting as part of an approved training programme, whether this is delivered physically or online;
- b) Wage costs of internal trainers, covering direct contact hours during which the trainer is delivering the training irrespective of whether the training is delivered physically or online;
- c) Hourly costs covering direct contact hours of training provided by an external expert engaged to deliver training irrespective of whether the training is delivered physically or online, and related costs of materials and supplies (including access to online tools) to the extent that they are used exclusively for the training project and have been requested by the external expert for the delivery of the training;
- d) Air travel expenses incurred to send trainees to foreign training locations if the training is not available locally and it is more economically feasible than holding the training locally;
- e) Air travel expenses incurred to bring trainers to Malta.

4.1.2 Wage costs will be calculated on the basis of an hourly rate.

4.1.3 Training provided by an external expert can only be considered as eligible if charged at an hourly rate.

4.1.4 For training provided outside of the trainees' standard work hours, only the hourly costs covering the trainer's direct contact hours of training provided by an expert engaged to deliver training shall be considered eligible;

### 4.2 Form of Aid

4.2.1 Support may be awarded in the form of Tax Credits, Cash Grants, or a combination of these forms of aid. In any case the total aid shall not exceed the maximum aid intensity established in these Guidelines.

4.2.2 The form and extent of aid is at the sole discretion of the Corporation. The Corporation shall in principle only consider awarding Cash Grants:

- a) to undertakings engaged in Manufacturing and Maintenance Repair and Overhaul (MRO) of electromechanical equipment; or
- b) to support training initiatives related to investment projects that result in the creation of a new establishment, significant expansion of the current activities of an establishment or the diversification of an establishment into products or services previously not provided by the undertaking.

4.2.3 Applicants should 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.

### 4.3 Aid Intensity and Maximum Support

4.3.1 The aid intensity shall be established according to the size of the undertaking. The maximum support shall not exceed two million euro (€2,000,000) per skills development project. The aid intensity applicable shall be capped at the following percentages of the eligible costs:

Size of Undertaking	%
Small	70
Medium	60
Large	50

The aid intensity may be increased by ten percent (10%) when training is provided to workers with disabilities, yet in no instance shall the aid intensity exceed 70%.

## 5. Application and Adjudication

5.0.1 This measure will be available from 1st January 2024 till 31st December 2026 and shall be operated on a first come firsts served basis on the submission of a full and complete application. The Corporation may establish periodic cut-off points for the submission of applications. The Corporation shall not receive applications after 30th September 2026, yet the scheme may be closed before if the allocated budgets are fully utilised. All incomplete applications shall be rejected.

5.0.2 Undertakings may only request support for one training programme in any three-month period. The training programme can include multiple training modules which may be delivered to different employees.

### 5.1 Application Process

5.1.1 It is the applicant's responsibility to provide details and comprehensive information in the application form to enable the Corporation to determine eligibility and evaluate the training programme. The Corporation shall reject any incomplete application and shall not be bound to seek further information to better understand the proposed training programme.

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

### 5.2. Determination of eligibility

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

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

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

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

### 5.3 Evaluation

5.3.1 The Corporation shall consider cash grants in relation to projects following a review of the impact of the project in relation to the economic and social gains to be obtained.

5.3.2 In conducting its evaluation the Corporation may request further information, and clarifications, beyond the information requested in the application, to determine whether the support should be awarded. Each submission will be reviewed on its own merits and

any support will be awarded at the sole discretion of the Corporation, following a review of the proposal and the expected results.

- 5.3.3 Eligible applications requesting a cash grant that are not approved may still benefit from a tax credit.

## **5.4 Awards**

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

## **5.5 Modifications**

- 5.5.1 Any modification to an approved training programme 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 by the applicant. 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.

## **5.6 Revocation and suspension of aid**

- 5.6.1 All projects are subject to audits and evaluations.

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

## 6. Claims

### 6.1 Claims Process

6.1.1 Claims should be submitted in line with the terms and conditions specified in the Letter of Approval.

6.1.2 When submitting the claim, the beneficiary should submit all the documentation as required in the claim form provided by the Corporation which shall include:

- a) Attendance sheets (or time sheets as applicable) for each training module signed by the trainee and the trainer.
- b) Copies of certificates issued to trainees confirming participation in the training programme and achievement of the training outcomes.
- c) When claiming costs incurred for services rendered, the undertaking will be required to submit the Tax Invoice (as specified in the 12th Schedule of the VAT Act - CAP 406 of the Laws of Malta) and an associated receipt or a copy of the Fiscal Receipt (as specified in the 13<sup>th</sup> Schedule of the VAT Act).

6.1.3 A report should also be submitted by the applicant identifying the training completed in terms of the approved training programme and an evaluation of the impact of the training on the undertaking's ability provide value to clients and/or to undertake new initiatives.

### 6.2 Tax Credits

6.2.1 Tax Credits shall only be confirmed following the presentation of documentation by the Beneficiary confirming that the eligible costs have been incurred.

6.2.1 Any tax credits awarded under this incentive shall not give rise to a right of any tax refund.

6.2.2 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.

6.2.3 Any Tax Credits confirmed following the review of a claim shall be awarded through a Tax Credit Certificate which will allow the beneficiary to claim the tax credit from the year of assessment immediately following the year in which the Certificate is issued.

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

6.2.5 When the undertaking does not utilise (in part or in full) the tax credits awarded in a Tax Credit Certificate, the undertaking shall carry forward the unutilised tax credit to subsequent years of assessment.

## 7. State Aid Rules and Obligations

### 7.1 Applicable State Aid Rules

7.1.1 The terms and conditions set out in these Guidelines are in line with the General Block Exemption Regulation<sup>5</sup> (*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).

7.1.2 The incentive is not applicable to the following:

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

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

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

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

### 7.2 Rules on Cumulation of Aid

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

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<sup>5</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0651-20230701>

### **7.3 Transparency**

**7.3.1** In line with Article 9(1)(c) of the General Block Exemption Regulation, information regarding any individual aid awards that exceed €100,000, or for beneficiaries active in primary agricultural production or in the fishery and aquaculture sector, each individual aid award exceeding €10,000, shall be made public on a national State Aid website or on the Commission's transparency award module.

## 8. Contact Details

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

Address:	Malta Enterprise Gwardamangia Hill, Pieta`, MEC 0001 Malta	Business 1st Centru Joseph Grech 2nd Floor, Cobalt House Mdina Road Mriehel, B'Kara, BKR 3000	Malta Enterprise (Gozo Office) Industrial Estate Xewkija XWK 3000 Gozo, Malta.
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