

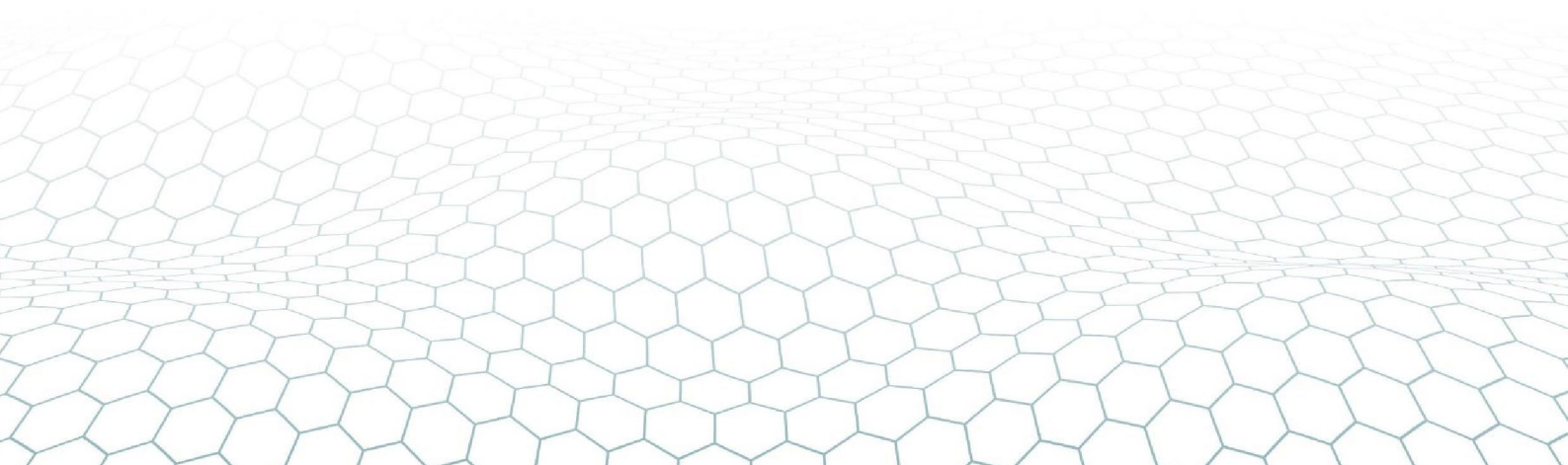


MALTAENTERPRISE

INCENTIVE GUIDELINES

Temporary Support Measure

Investment Aid for the production of COVID-19 relevant products



Issue Date: April, 2020

Version: 3.0

Updated: 1st July, 2021

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

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1. Introduction

1.1 Objective

The COVID-19 pandemic presented immediate and severe financial, social and medical challenges that effected the business community in various aspects. The COVID-19 pandemic has resulted in various unexpected challenges in supply chains, demands for medical supplies and availability of treatments. The capability to produce materials and equipment required to address medical and social aspects caused by the COVID-19 crisis is fundamental to re-establish a social fabric and regenerate economic development.

The scheme has the scope to support undertakings that have the technological competence to set-up and/or develop production units that result in products and services that:

- support health authorities in their work to control the COVID-19 pandemic; or
- the health sector can use in treating COVID-19 health issues;
- can be used to limit and contain transmission (and health risks) during and post the COVID-19 outbreak.

The measure shall support investment projects for the production of COVID-19 relevant products, such as:

- medicinal products (including vaccines) and treatments, their intermediates, active pharmaceutical ingredients and raw materials;
- medical devices, hospital and medical equipment (including ventilators, protective clothing and equipment as well as diagnostic tools) and necessary raw materials;
- disinfectants and their intermediary products and raw chemical materials necessary for their production;
- equipment and machinery required to sanitise products and environment;
- data collection/processing tools.
- screening and tracking devices /technology and associated supporting infrastructure and technology

Malta Enterprise may provide financial support not exceeding 80% of the eligible costs to support undertakings to carry out investment projects to increase or initiate production of COVID-19 relevant products/technologies or to diversify existing production to be able to produce COVID-19 relevant products/ technologies.

This may be increased by an additional 15% if the project is carried out in collaboration with another undertaking established in another Member State which is also receiving support from that Member State.

1.2 Duration of the incentive

This incentive is available till 31st December, 2021.

Applications for support shall be accepted until 12th November 2021.

1.3 Legal Basis

COVID-19 Temporary Support Measures Regulations (as amended) [subsidiary legislation 463.34 to Malta Enterprise Act] form the specific legal basis for these Incentive Guidelines.

These Incentive Guidelines are being published in terms of Article 8 (3)(a) of the Malta Enterprise Act (CAP 463 of the Laws of Malta) which empowers Malta Enterprise Corporation to issue Incentive Guidelines for providing support measures to undertakings.

This measure falls within the terms and conditions established by the *Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak*¹ adopted by the Commission on 19 March 2020 (C(2020) 1863), and as amended on 3rd April 2020², on 8th May 2020³, on 29th June 2020⁴, on 13th October 2020⁵ and on 28th January 2021⁶, and as may be subsequently amended (hereinafter The Temporary Framework).

1.4 Designated Authority

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

1.5 Form of Aid

The support shall be awarded in the form of a cash grant, a repayable advance or a tax credit.

Any tax credit awarded may be claimed in the beneficiary’s tax statement as from the following fiscal year of assessment. If any part of the tax credit is unutilized (as the tax liabilities are lower than the benefit), any tax credits not utilised maybe carried forward to subsequent years.

1.6 Budget

This incentive has a cash budget of €12,000,000 and a fiscal budget to be awarded as tax credit of €1,500,000. The overall budget is hence of €13,500,000.

2. Incentive Description

Malta Enterprise may provide a cash grant not exceeding 80% of the eligible costs to support undertakings to carry out investment projects to increase or initiate production of COVID-19 relevant products or to diversify existing production to be able to produce COVID-19 relevant products.

¹ [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC0320\(03\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC0320(03)&from=EN)

² [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC0404\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC0404(01)&from=EN)

³ [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC0513\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC0513(01)&from=EN)

⁴ [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC0702\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC0702(01)&from=EN)

⁵ [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC1013\(03\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020XC1013(03)&from=EN)

⁶ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0201\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0201(01)&from=EN)

Malta Enterprise shall also consider providing the support as a repayable advance. Such repayable advance shall be transformed into a grant covering approved costs incurred, if the beneficiary completes the project within six (6) months as described below.

The investment project is to be completed within six (6) months starting from the date when the aid is granted. The Corporation in collaboration with other national authorities competent in the field related to the investment and/or any third party as may be contracted by the Corporation shall determine whether the project has been completed within this timeframe.

If the project is carried out in collaboration with another undertaking established in another Member State which is also receiving support from that Member State, an additional bonus of 15% may be awarded to the beneficiary.

In the case, where the six (6) month deadline is not met, unless the delay is due to factors outside the control of the aid beneficiary (as shall be determined by the Corporation), 25% of the amount of aid awarded shall be deducted for every month of delay.

Aid in the form of repayable advances, for projects that were not completed within the stipulated timeframe of six (6) months, must be reimbursed in equal instalments within five (5) years after the date of granting the aid. Any unutilised funds have to be reimbursed by the beneficiary within three (3) months from the date the Corporation notifies the beneficiary of such requirement for the beneficiary to reimburse the aid. If such unutilised funds are not reimbursed within this period, an interest of 4% per annum above the one (1) year IBOR (adjusted annually as at 1st January 2020) shall be charged to the beneficiary.

3. Eligible Undertakings

This measure shall be available to duly registered undertakings (including self-employed persons) that carry out an eligible project.

Support may not be awarded to:

- i. Undertakings that were already in difficulty as defined in the *General Block Exemption Regulation*⁷ on 31 December 2019 unless the undertaking is a micro or small enterprise (within the meaning of Annex I of the General Block Exemption Regulation) that was already in difficulty on 31 December 2019 provided that they are not subject to collective insolvency procedure under national law, and that they have not received rescue aid or restructuring aid. Provided that Micro or small enterprises (within the meaning of Annex I of the General Block Exemption Regulation) that were already in difficulty on 31 December 2019 may still be supported provided that they are not subject to collective insolvency procedure under national law, and that they have not received rescue⁸ aid or restructuring aid⁹ may still be awarded aid under this scheme.

⁷ Article 2 (18) of 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, OJ L 187 of 26.6.2014, p. 1.

⁸ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under these Guidelines.

⁹ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under these Guidelines.

- ii. Public entities defined as: “Ministries, Departments, Entities, Authorities, Public Commissions, Public Sector 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 organisations are established by law”.
- iii. Any undertaking which is subject to an outstanding recovery order following a previous commission decision declaring an aid illegal and incompatible with the internal market.
- iv. Undertakings that have pending income tax, VAT, and social security payment which were due prior to 31st December 2019.

4. Eligible Projects

The Corporation shall consider as eligible projects those projects that have started on or after 1st February 2020. Projects that started before 1st February 2020 may be deemed eligible if the aid is necessary to accelerate or widen the scope of the project.

The Corporation shall only consider investment project for the production and manufacturing of COVID-19 relevant products, which shall include:

- medicinal products (including vaccines) and treatments, their intermediates, active pharmaceutical ingredients and raw materials;
- medical devices, hospital and medical equipment (including ventilators, protective clothing and equipment as well as diagnostic tools) and necessary raw materials;
- disinfectants and their intermediary products and raw chemical materials necessary for their production;
- equipment and machinery required to sanitise products and environment;
- data collection/processing tools;
- screening and tracking devices /technology and associated supporting infrastructure and technology.

5. Eligible Costs

Eligible costs incurred after 1st February 2020 in relation to the approved project must fall within the following categories:

- i. tangible and intangible assets procured to develop, manufacture and provide COVID-19 relevant products.
- ii. wage costs of personnel engaged to design and develop tools, processes and solutions for the production and manufacturing of COVID-19 relevant products. These costs shall only be eligible if fully capitalised and accounted for in terms of the applicable accounting standards as cost incurred for the creation of an asset.
- iii. wage costs of personnel engaged to develop data collection and processing tools (including AI solutions) supporting the medical profession and the general public in issues related to the COVID-19 pandemic. These costs shall only be eligible if fully capitalised and

accounted for in terms of the applicable accounting standards as cost incurred for the creation of an asset.

- iv. Costs incurred for trial runs of the new (or diversified) production facilities such as cost of materials required for trial runs of production facilities and cost of data sets acquired to test data processing and collection solutions.

In case of projects that commenced before 1st February 2020, only the additional costs in relation to the acceleration efforts or the widened scope shall be eligible for aid.

Aid under this measure may be cumulated with other measures implemented in line with the different sections of the Temporary Framework, in line with the provisions in the specific sections of the Temporary Framework.

Aid under this measure may be cumulated with aid under the de minimis Regulations¹⁰ or with aid under Block Exemption Regulations¹¹ provided the provisions and cumulation rules of those Regulations are respected.

Aid under this measure shall not be combined with other investment aid for the same eligible costs.

If part of the investment is calculated on the basis of wages, the reference should be to the employees' basic wages and no additional benefit shall be combined to these wage costs for the extent the respective employees are contributing to the development of the asset.

All eligible costs shall be calculated excluding any taxes, value added taxes and government charges.

Buildings and land are not supported by this scheme.

Where the project is limited by time or scope, costs of equipment shall be taken into account only pro rata (i.e. depreciation over the lifetime, if applicable or pro rata of the capacity used for the infrastructure)

¹⁰ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p.1), Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9), Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45) and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114 of 26.4.2012, p. 8).

¹¹ 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 (General Block Exemption Regulation), Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1 and Commission Regulation (EU) No 1388/2014 of 16 December 2014 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 on the Functioning of the European Union OJ L 369, 24.12.2014, p. 37.

6. Application

Applicants should submit a document describing the project, which should include the following sections:

- a) A clear description of the project;
- b) The project deliverables and why they are COVID-19 relevant products
- c) The project start and end dates;
- d) The location where the project is to be implemented;
- e) A detailed breakdown of the project costs;
- f) A detailed financing plan of the project;
- g) A profit & loss forecast for three (3) years;
- h) A declaration that the applicant has read and understood these Guidelines and shall not seek to recover costs from other measures.

In addition to the application document, the applicant will need to provide:

- i) Compliance Status Certificate in respect of Income Tax, VAT and Social Security Contributions.

7. Claim

Undertakings shall claim the eligible costs as approved by the Corporation. All costs related to the project must be covered by the appropriate fiscal documentation and proof of payment. For each transition the beneficiary shall provide a copy of the encashed cheque image or a bank statement clearly identifying the bank transaction confirming the transfer of funds to the recipient. Any procurement must be covered by fiscal invoice/receipts as required by Maltese legislation.

8. Monitoring

Information of relevant information on each individual aid above €100,000 awarded under this measure, shall be published within twelve months from the moment of granting, in terms of the requirements of Annex III of the Commission Regulation (EU) No. 651/2014 of 17 June 2014 and of Annex III of the Commission Regulation (EU) No 702/2014 and Annex III of the Commission Regulation (EU) No 1388/2014 of 16 December 2014.

The beneficiary must ensure that detailed records regarding the granting of aid are maintained. Such records, which must contain all information necessary to establish that the conditions have been observed, must be maintained for ten (10) years upon granting of the aid and be provided to the Corporation upon request.

Applicants will be subject to monitoring to ensure that the project is being or was implemented according to the terms and conditions set in the Letter of Approval issued by the Corporation and these Guidelines.

The Corporation reserves the right to:

- i. request additional information regarding the aid granted, to verify whether the conditions laid down in the approval of the aid and the parameters of these incentive guidelines been met.
- ii. effect spot-checks which may be administered by third parties entrusted by the Corporation to carry out such tasks.

If a Beneficiary is found to have breached the terms and conditions set in these Incentive Guidelines, the Regulations or the Letter of Approval, the Corporation reserves the right to revoke, suspend or recover any aid awarded.

9. State Aid Rules and Obligations

The terms and conditions set out in these Incentive Guidelines are in line with the Temporary Framework for State aid measures to support the economy during the current COVID-19 outbreak published by the European Commission on 19th March 2020 with further provisions adopted on 3rd April 2020, 8 May 2020, 29 June 2020 13 October 2020 and 28 January 2021, based on Article 107(3)(b) of the Treaty of the Functioning of the European Union (TFEU).

10. Contact Details

Further information on the incentive, as well as information and guidance on the filling in of the application form may be obtained by contacting Business First by calling 144 during office hours or by sending an email to covid19@maltaenterprise.com

Websites: www.maltaenterprise.com
covid19.maltaenterprise.com

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

Email: info@businessfirst.com.mt