

## Incentive Guidelines

R&D Feasibility Studies 2014 - 2020



**MALTAENTERPRISE**

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# 1. Introduction

## 1.1 Scope

Since Research & Development initiatives are associated with high risk it is advisable that undertakings undertake R&D Feasibility studies to determine that the key elements of the proposed research project are based on sound principals.

The objective of this incentive is to support undertakings intending to undertake Industrial Research and Experimental Development projects in carrying out R&D Feasibility Studies in preparation for these projects.

## 1.2 Duration of the incentive

These Incentive Guidelines will be active until 31st December 2020. Malta Enterprise may review, update and amend these Incentive Guidelines.

## 1.3 Legal Basis

Malta Enterprise is enabled to issue and publish official Incentive Guidelines in terms of Article 8(3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

Assistance for Research and Development and Innovation Regulations is a Subsidiary Legislation 463.05 and 463.17 to the Malta Enterprise Act Chapter 463 of the Laws of Malta.

## 1.4 Designated Authority

This incentive is administered by the Corporation.

## 2 Incentive Description

### 2.1 Details of Incentive

Under this incentive, undertakings which carry out industrial research or experimental development may benefit from assistance to carry out Feasibility Studies in preparation to such activities.

### 2.2 Definitions

The following definitions shall apply:

1) **Feasibility Studies**

'feasibility study' means the evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success.

2) **Industrial Research**

'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 for bringing about a significant improvement in existing products, processes or services. It 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.

3) **Experimental Development**

'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. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services;

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.

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.

4) **Small and Medium Enterprises (SME)**

An SME is an undertaking which fulfils the criteria laid down in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaration certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter referred to as the General Block Exemption Regulation).

5) **Undertaking in Difficulty**

‘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 or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), 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 (1) 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 or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), 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:

- (1) the undertaking's book debt to equity ratio has been greater than 7,5 and
- (2) the undertaking's EBITDA interest coverage ratio has been below 1,0.

## 2.3 Eligible costs and the applicable aid intensity

Supported projects must be completed within six (6) months from the date the project is approved by the Corporation. All eligible costs should be incurred and paid for within this timeframe.

### 2.3.1 Eligible Costs

Only the following costs are eligible for assistance under this incentive:

#### A) Personnel costs

Wages of researchers and technicians, and other supporting staff, to the extent and for the duration that they are directly engaged on the approved R&D feasibility study.

- a) Eligible wage costs shall be limited to the actual basic salary as defined in the employment contract of the employee. (Any other costs, including bonuses, allowances, national insurance and other taxes, insurance payments and *per diem* are ineligible).
- b) All employees in respect of whom wage costs are claimed must be registered with *Jobsplus* and covered by a contract of employment.
- c) Personnel costs are calculated using an hourly rate calculated on the employee's basic wage. The total hours worked by a full time employee shall be established as 1760 hours per annum.
- d) Eligible wage costs of supporting staff shall be capped at 10% of the total personnel costs.

#### B) Acquisition of knowledge

Costs of contractual research, technical knowledge bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for feasibility study;

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

- i. experts in the relevant field of research that have successfully completed doctoral training;
- ii. research and knowledge-dissemination organisation; or
- iii. technical laboratories or other similar infrastructures.

### 2.3.2 Maximum Aid

Undertakings carrying out an R&D feasibility studies may receive up to €50,000 per project. Aid is capped at €5000 per Full-Time Employee engaged by the applicant at the time of application, provided that applicants established in the twenty-four (24) months preceding the date of application may still be approved a grant of up to €20,000 irrespective of the number of Full-Time Employees engaged.

### 2.3.3 Aid Intensity

The maximum levels of assistance provided through this incentive is further capped at:

- a) 50% of eligible costs if the beneficiary is a Large Undertaking
- b) 60% of eligible costs if the beneficiary is a Medium-Sized Undertaking
- c) 70% of eligible costs if the beneficiary is a Small Undertaking

## 3. Eligibility

### 3.1 Eligible Undertakings

Undertakings employing at least two (2) full time employees that intend to carry out an Industrial Research and Experimental Development project may benefit from assistance under this incentive.

### 3.2 Exclusions

The terms and conditions of this scheme are in line with the Commission Regulation (EU) No 651/2014 of 17<sup>th</sup> June 2014. Therefore, the incentive does not apply to the following sectors that are excluded under this regulation:

- 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.
- c. Research and knowledge-dissemination organisation mean any 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.
- 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 carrying out exclusively an economic activity in direct competition with third parties and in which Government has a controlling interest.
- e. Furthermore, assistance may not be granted if the:
  - i. aid is 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. aid is contingent upon the use of domestic in preference to imported goods.
- f. Moreover, aid 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 will be excluded from the scope of this Regulation.



## 4. Additional Provisions

### 4.1 Personnel costs

Personnel costs should be substantiated by timesheets signed by the respective personnel and endorsed the person entrusted by the beneficiary to manage the research project. The timesheets should include an explanation of the work carried out and its relation to the project. The timesheets should highlight any specific tests being carried out and the results achieved.

### 4.3 Ineligible costs

The following costs are ineligible. They should be deducted if they form part of any cost item:

- a) Costs related to shipping of equipment, suppliers, materials and so on;
- b) Costs related to repair and maintenance of plant, equipment and buildings;
- c) Tax including Value Added Tax (VAT) and other duties;
- d) Depreciation costs related to plant, equipment and buildings that have been revaluated;
- e) Bonuses, allowances, national insurance and other taxes, insurance payments and per diems shall not be considered eligible.

## 5. Application Process

Application forms may be downloaded from the Malta Enterprise website:  
<http://support.maltaenterprise.com/>

It is recommended that potential applicants contact Malta Enterprise prior to submitting their application. Business First staff will support prospective applicants:

- a. to understand the objectives of the incentive;
- b. by explaining details relevant to this guideline document; and
- c. to address any problems that might be encountered when completing their application.

The application for should include:

- the contracts of employment of the employees that shall be engaged on the study; and
- quotations demonstrating adequate market testing in relation to the acquisition of knowledge costs that are to be incurred in the study.

A complete application must be submitted to Business First either by hand in a sealed envelope or by registered post. The application must be addressed to:

R&D Feasibility Study  
Business First  
Gwardamangia Hill,  
Pieta', MEC 0001  
Malta.

## 6. Evaluation and Assignment of Aid

Malta Enterprise will assign an annual budget for the scheme which will be allocated to successfully evaluated projects in accordance to the order they were submitted.

Aid under this incentive is:

- a. subject to approval
- b. subject to available budgets;
- c. provided at the discretion of Malta Enterprise.

### 6.1 Evaluation

Complete applications that meet the terms and conditions of participation will be assessed by Malta Enterprise in accordance with the following criteria;

- a. Mandatory Criteria:
  - i. The aim of the study should be to establish the feasibility of a planned industrial research and experimental development project.
  - ii. The proposed study should lead to research that has clear scope and objectives and is of strategic importance to the undertaking. That is the undertaking should in his application justify that the result of the envisaged research is expected to lead in an increase of employment and productivity.
  - iii. The application presented establishes the methodology which will be adopted in carrying out the study and identifies clear milestones and deliverables.
- b. The extent (based on a preliminary business case) in which the beneficiary's growth in terms of market positioning, investment and employment should be enhanced, should the industrial research and experimental development project be carried out.

(Clearly the expected benefits will only be attainable if R&D feasibility is confirmed by the study and the enterprise embarks on the R&D project which is successfully completed).

### 5.2 Notification of results

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

Once a project is approved, an Incentive Entitlement Certificate will be issued and will include such terms and conditions as may be set by the Corporation.

### 6.3 Publication of Results

Details of the undertaking, the value of the aid granted and other non-confidential details of successful applicants may be published by Malta Enterprise.

## 7. Claims

Claims shall be based on the reimbursement of eligible costs and may be submitted following the completion of the R&D feasibility study and within 8 months for the date the project was approved by the Corporation.

### 7.1 Claim documentation

The claim should include the following documentation:

- a. A copy of the supported R&D feasibility study (Confidential Information may be removed from the copy submitted to Malta Enterprise, yet the corporation may still require to review the original version at the beneficiaries premises).
- b. The Request for Reimbursement Form which can be downloaded from [www.maltaenterprise.com](http://www.maltaenterprise.com)
- c. Wage cost claimed should be substantiated by:
  - i. the official Final Settlement System FSS forms;
  - ii. time sheets containing details of the daily tasks undertaken in relation to the study and the time the person(s) spent directly engaged on the specific task, which should be signed by the personnel and the project manager.
  - iii. Declaration from the employee that s/he was actually paid for the amount being claimed.
- d. Claims for costs related to the acquisition of knowledge should include:
  - i. the original fiscal documents (either a fiscal invoice or a fiscal receipt with a copy of the invoice);
  - ii. a receipt from the supplier detailing the services rendered;
  - iii. copies of the encashed cheques or original bank advice documents showing all payments effected in relation to the claimed costs.
- b. An official declaration available on <http://support.maltaenterprise.com/> confirming that the beneficiary has ensured that any rules governing cumulation of aid have been respected.

## 8. Other Conditions

### 8.1 Changes to Approved Assistance

Any modification to an approved project must be notified to Malta Enterprise immediately. A written request describing the proposed changes and 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. A change in the amount of aid and/or activities supported.
- b. A request for further information on the proposed changes.
- c. A recommendation to reconsider the proposed amendments.
- d. An approval of the proposed changes.
- e. A revocation or modification of the Incentive Entitlement Certificate.

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

### 8.2 Monitoring

Applicants will be subject to monitoring to ensure that the project is being or was implemented according to:

- a. the terms and conditions set in the Incentive Entitlement Certificate; and
- b. the General Block Exemption Regulations.

### 8.3 Sanctions and recovery of aid

Malta Enterprise Act, may revoke, amend or modify the Incentive Entitlement Certificate and apply penalties or request recovery of aid in the case of breach of these Guidelines or the conditions set down in the Incentive Entitlement Certificate.

## 9. State Aid Rules and Obligations

### 9.1 State Aid Regime:

The terms and conditions set out in these guidelines are in line with the Commission Regulation (EU) No 651/2014 of 17 June 2014.

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

[http://ec.europa.eu/competition/state\\_aid/legislation/gber\\_regulation\\_en.pdf](http://ec.europa.eu/competition/state_aid/legislation/gber_regulation_en.pdf)

### 9.2 State Aid Conditions:

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.
- c. 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. contingent upon the use of domestic 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.
- d. Aid approved by the Corporation in terms of these Incentive Guidelines will be suspended until the undertaking has reimbursed old, unlawful and incompatible aid that is subject to a recover.

### 9.2 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 17<sup>th</sup> June 2014.

Where Union funding centrally managed by the institutions, agencies, joint undertakings or other bodies of the Union that is not directly or indirectly under the control of the Member State is combined with State Aid, only the latter shall be considered for determining whether notification thresholds and maximum aid intensities or maximum aid amounts are respected, provided that the total amount of public funding granted in relation to the same eligible costs does not exceed the most favourable funding rate laid down in the applicable rules of the Union law.

Aid granted under this incentive may only be cumulated with other aid under any other incentive(s), or with other Community funding, in relation to the same item of expenditure as long as such cumulation does not exceed the gross aid intensity fixed by the most favourable intensity ceiling under the applicable rules. Aid awarded under these Incentive Guidelines shall not be cumulated with any *de minimis* aid in respect if the same eligible costs if such cumulation would result in an aid intensity exceeding those laid down in these Incentive Guidelines.

## 10. Contact Details

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

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

Tel: 144

Websites: <http://www.maltaenterprise.com>

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

[www.businessfirst.com.mt](http://www.businessfirst.com.mt)

Email: [info.businessfirst@maltaenterprise.com](mailto:info.businessfirst@maltaenterprise.com)