



GOVERNMENT  
OF MALTA



# SME ENHANCE

## Guidance Notes

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## Definitions

**Aid intensity** means the gross aid amount expressed as a percentage of the eligible costs, before any deducted tax or other charge.

**Date of granting of the aid** means the date when the legal right to receive the aid is conferred on the beneficiary, being the date of the signing of the Grant Agreement.

**Operation** means an initial investment project being proposed for part-financing through Call/s under this State aid scheme.

The **Start Date** is identified in the Grant Agreement signed between the IB and the Beneficiary. Start of works on actions in relation to the activities for which assistance is being requested may only be initiated after the date of the granting of the aid.

**Project Completion** is defined as the date by when the Beneficiary ensures that:

- The Investment has been procured, delivered and is fully operational; and
- All expenditure has been incurred, invoiced and fully paid; and
- All relevant licences are in place
- Claim for Reimbursement submitted

**Any expenditure incurred, invoiced or paid after the project completion will be considered as ineligible.**

The **Authorised Representative** is the person identified in the application form who is entrusted to legally represent the undertaking and is thereby authorised to enter into agreements and sign contracts for and on behalf of the undertaking. In the case of Sole Traders/Self Employed person, this should invariably be the beneficiary.

The **Project Manager** is identified in the application form and is the person responsible for the implementation of the project on a day-to-day basis.

**Economic activity** – means an activity consisting of any one or more of the following:

- any trade, business, profession or vocation and the provision of any personal services;
- the exploitation of tangible or intangible property for the purpose of obtaining income there from on a continuing basis;
- the provision by a club, association or organisation of the facilities or advantages available to its members for a subscription or other consideration;
- the admission of persons to any premises for a consideration.

**Initial investment means:**

- (a) an investment in tangible assets related to the setting-up of a new establishment, extension of the capacity of an existing establishment, diversification of the output of an establishment into products or services not previously produced in the establishment or a fundamental change in the overall production process of an existing establishment; or

- (b) an acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased and is bought by an investor unrelated to the seller and excludes sole acquisition of the shares of an undertaking.

**Productive investments** should be understood as investment in fixed capital or immaterial assets of enterprises, with a view to producing goods and services and thereby contributing to gross capital formation and employment.

**External source** means a source that is autonomous and unrelated to the Beneficiary Undertaking.

**Unrelated to the Beneficiary** – the fact that the buyer does not control the seller is not sufficient for fulfilling this criterion. The parties must be unrelated. For that, there should be no influence (decisive or not) on the composition, voting or decisions of the organs of an Undertaking.

**Undertaking** means a **Micro, Small or Medium-Sized Enterprise** as defined in Annex I of 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.

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20230701>

The main factors determining whether an enterprise is an SME are:

- **staff headcount** and
- either **turnover** or **balance sheet total**.

<b>Company category</b>	<b>Staff headcount</b>	<b>Turnover</b>	or	<b>Balance sheet total</b>
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

For more details:

[http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm)

**Single Undertaking** includes, all enterprises having at least one of the following relationships with each other:

- (a) one enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
- (b) one enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;

(c) one enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or pursuant to a provision in its memorandum or articles of association;

(d) one enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

Enterprises having any of the relationships referred to in points (a) to (d) through one or more other enterprises shall also be considered to be a single Undertaking.

**An enterprise** is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships regularly engaged in an economic activity.

**An Autonomous Enterprise** is any enterprise which is not classified as a partner enterprise or as a linked enterprise as per provisions outlined in Annex I of 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.

**Partner enterprises** are all enterprises which are not classified as linked enterprises and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).

However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of 'linked enterprise', either individually or jointly to the enterprise in question:

- a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses (business angels), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;
- b) universities or non-profit research centres;
  - c) institutional investors, including regional development funds;
  - d) autonomous local authorities with an annual budget of less than EUR 10 million and less than 5 000 inhabitants.

**Linked enterprises** are enterprises which have any of the following relationships with each other:

- a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;

- b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
- d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

Enterprises having any of the relationships described in a) to d) above through one or more other enterprises, or any one of the investors mentioned under Partner Enterprise, are also considered to be linked.

Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An **'adjacent market'** is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

**The same or a similar activity** means an activity in the same class (four-digit numerical code) of the NACE Rev 2 statistical classification of economic activities as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as amended by Commission Delegated Regulation (EU) 2023/137 of 10 October 2022 amending Regulation (EC) No 1893/2006 of the European Parliament and of the Council establishing the statistical classification of economic activities NACE Revision 2, as well as certain EC Regulations on specific statistical domains<sup>1</sup>.

**Crafts** means an art, skill, or trade, practised by a person or persons in the manufacture of artefacts and other products and generally requiring in its manufacturing a greater input of human skill than of machinery.

**Assets** refer to **tangible assets** meaning assets consisting of equipment and **intangible assets** meaning assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property.

**Marketing of agricultural products** means holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale by a primary producer to final consumers shall be

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02006R1893-20250101>



considered to be marketing if it takes place in separate premises reserved for that purpose.

**Primary agricultural production** means production of products of the soil and of stock farming, listed in Annex I to the Treaty, without performing any further operation changing the nature of such products.

**Processing of Agricultural products** means any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for the first sale.

**Agricultural product** means the products listed in Annex I to the Treaty, with the exception of fishery and aquacultural products falling within the scope of Regulation (EU) No 1379/2013 of the European Parliament and of the Council.

**Fishery and Aquaculture products** are defined as per provisions of Regulation (EU) No 1379/2013 of the European Parliament and of the Council.

**Undertaking in difficulty** as defined in 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, 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 to Directive 2013/34/EU<sup>2</sup> 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 to Directive 2013/34/EU.

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<sup>2</sup> 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.

- 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.

**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 the 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.

**Relocation** means a transfer of the same or similar activity or part thereof from an establishment in one contracting party to the EEA Agreement (initial establishment) to the establishment in which the aided investment takes place in another contracting party to the EEA Agreement (aided establishment). There is a transfer if the product or service in the initial and in the aided establishments serves at least partly the same purposes and meets the demands or needs of the same type of customers and jobs are lost in the same or similar activity in one of the initial establishments of the beneficiary in the EEA.

**Steel sector** means the production of one or more of the following products:

- (a) pig iron and ferro-alloys: pig iron for steelmaking, foundry and other pig iron, spiegeleisen and high-carbon ferro-manganese, not including other ferro-alloys;
- (b) crude and semi-finished products of iron, ordinary steel or special steel: liquid steel cast or not cast into ingots, including ingots for forging semi-finished products: blooms, billets and slabs; sheet bars and tinplate bars; hot-rolled wide coils, with the exception of production of liquid steel for castings from micro, small and medium-sized foundries;
- (c) hot finished products of iron, ordinary steel or special steel: rails, sleepers, fishplates, soleplates, joists, heavy sections of 80 mm and over, sheet piling, bars and sections of less than 80 mm and flats of less than 150 mm, wire rod, tube rounds and squares, hot-rolled hoop and strip (including tube strip), hot-rolled sheet (coated or uncoated), plates and sheets of 3 mm thickness and over, universal plates of 150

mm and over, with the exception of wire and wire products, bright bars and iron castings;

(d) cold finished products: tinplate, terneplate, blackplate, galvanised sheets, other coated sheets, cold-rolled sheets, electrical sheets and strip for tinplate, cold-rolled plate, in coil and in strip;

(e) tubes: all seamless steel tubes, welded steel tubes with a diameter of over 406.4 mm.

**Transport sector** means the transport of passengers by aircraft, maritime transport, road or rail, and by inland waterway or freight transport services for hire or reward; more specifically, the ‘transport sector’ means the following activities in terms of the statistical classification of economic activities (NACE Rev. 2), established by Regulation (EC) No 1893/2006 of the European Parliament and of the Council:

- o NACE 49: Land transport and transport via pipelines, excluding NACE 49.32 Taxi operation, 49.39 Operation of teleferics, funiculars, ski and cable lifts if not part of urban or suburban transit systems, 49.42 Removal services, 49.5 Transport via pipeline;
- o NACE 50: Water transport;
- o NACE 51: Air transport, excluding NACE 51.22 Space transport.

**Coal** means high-grade, medium-grade and low-grade category A and B coal within the meaning of the international codification system for coal established by the United Nations Economic Commission for Europe and clarified in the Council decision of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines.

**Lignite** means low-rank C or ortho-lignite and low-rank B or meta-lignite as defined by the international codification system for coal established by the United Nations Economic Commission for Europe.

**Start-up** means an Enterprise which, at the time of the granting of the aid is an unlisted micro or small enterprise up to five years following its registration, that fulfils the following cumulative conditions:

a) it has not taken over the activity of another undertaking, unless the turnover of the overtaken activity accounts for less than 10% of the turnover of the eligible undertaking in the financial year preceding the take-over;

b) it has not yet distributed profits;

c) it has not acquired another undertaking or has not been formed through a merger, unless the turnover of the acquired undertaking accounts for less than 10% of the turnover of the eligible undertaking in the financial year preceding the acquisition or the turnover of the merged undertaking formed through a merger is less than 10% higher than the combined turnover that the merging undertakings had in the financial year preceding the merger.

For eligible undertakings that are not subject to registration, the five-year eligibility period may be considered to start from either the moment when the enterprise starts its economic activity or the moment it becomes liable to tax with regard to its economic activity, whichever is earlier.

By way of derogation from the first sub-paragraph, point (c), undertakings formed through a merger between undertakings eligible for aid under this scheme shall also be considered eligible undertakings up to five years from the date of registration of the oldest of the merging undertakings.

**Establishment Date** shall be determined on the following parameters:

- a) For limited liability companies, the Establishment Date shall be the date of registration with the MBR as long as the Undertaking was not operative under a different form prior to registration with the MBR.
- b) In the case of self-employed, the start-up date shall be considered to be the date the person registered as a self-employed person with the JobsPlus;
- c) For registered partnerships and unregistered partnerships, the establishment date shall be considered to be the date an agreement is signed between the parties within the respective partnerships;
- d) In the case of co-operatives, the establishment date shall be considered as the date of the registration of the co-operative with the Co-operatives Board;

**Unlisted** means an undertaking which is not listed on the official list of a stock exchange, except for alternative trading platforms.

## 1 Introduction

This document provides information on the *SME Enhance* and should be read in conjunction with the following document:

- User Guide to the Application Form

These Guidance Notes are binding and failure to comply with the provisions of these documents may result in financial corrections and recovery of funds.

These Guidance Notes may be reviewed, updated, and amended from time to time by the IB throughout the lifetime of the scheme.

### 1.1 Management structure

The Measures and Support Division within the Ministry responsible for the management of Union Funds has been designated by the Managing Authority (MA) as an Intermediate Body (IB) responsible for administering European Regional Development Fund (ERDF) Grant Schemes through the implementation of Support Measures under the 2021-2027 programming period.

### 1.2 Scope

Business success is dependent on the ability of the enterprise to focus investment on expansion, diversification, innovation of the operations, as well as on initial investments.

This incentive shall seek to support Undertakings through non-repayable Grants to part-finance investment in relation to the activities outlined and aimed at potentially improving the productivity of the enterprise.

### 1.3 Investment Priorities and Specific Objectives

This Grant Scheme falls under Policy Objective 1 '*A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity*' of SFC2021 Programme 2021- 2027 '*Towards a smarter, well connected and resilient economy, a greener environment and an integrated society*', and addresses the following Policy Objective and Specific Objective:

PO1: Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators. A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity

RSO1.2. Reaping the benefits of digitisation for citizens, companies, research organisations and public authorities

RSO1.3. Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments

### 1.4 Duration

The *SME Enhance* will remain effective until 31 December 2026, subject to availability of funds.

### 1.5 Budget

The initial allocated budget is €6,000,000.

### 1.6 Open (rolling) Call

The scheme shall be managed on a demand driven basis. The IB shall issue a public open call (rolling-call) with periodical cut-off dates for interested eligible Undertakings to submit their applications. Following each cut-off date, applications will be assessed and evaluated and eligible applications scoring at least 50% of the selection criteria shall be awarded subject to budget availability.

### 1.7 Maximum Grant and Aid intensity

The minimum grant value under this scheme is set at €10,000 whilst the maximum grant value is set at €128,400 for eligible actions, including an additional 7% flat rate to finance any indirect costs related to the investment.

Applications under *de Minimis* are eligible for part-financing eligible costs up to **50% for investments in Malta** and **60% for investments in Gozo**. The Grant amount that a single Undertaking may receive shall depend on the application for and receipt of *de minimis* aid by the single undertaking over any period of three years. The total amount of *de minimis* aid granted to a single undertaking under this scheme and any other *de minimis* scheme, shall not exceed the amount of €300,000 over any period of three years. This maximum threshold shall include all State Aid granted under this aid scheme and any other State Aid measure implemented in line with the *de minimis* Regulation, including that received from any entity other than the IB. Any *de minimis* aid received in excess of the established threshold will have to be recovered, with interest, from the undertaking receiving the aid. A *de minimis* declaration form indicating any other *de minimis* aid received and/or applied for over any period of 3 years to which the *de minimis* Regulation applies, must be filled in and submitted by all applicants together with the application form.

Applications under *Investment Aid* are eligible for part-financing eligible costs as per underneath Aid Intensities where the maximum amount of aid granted will not exceed the thresholds indicated in Article 4(1)(a) and (1)(c) GBER.

Any initial investment related to the same or a similar activity started by the same beneficiary (at group level) within a period of 3 years from the date of start of works on another aided investment in the same level 3 region of the Nomenclature of Territorial Units for Statistics, shall be considered to be part of a single investment project. Where such single investment project is a large investment project, the total aid amount for the single investment project shall not exceed the adjusted aid amount for large investment projects.

Size of Undertaking	Aid Intensity		
	Investments in Gozo	Investments in Malta (in assisted areas designated in Malta's Regional Aid map, as outlined in <a href="#">Annex VI</a> )	Investments in Malta (in localities not falling within the Regional Aid map)

Micro and Small	35%	30%	20%
Medium	25%	20%	10%

Applications under *Start-up* are eligible for part-financing eligible costs up to **60% for investments in Malta** and **70% for investments in Gozo**. The maximum amount of aid granted will not exceed the thresholds indicated in Article 4(1)(h) GBER.

### 1.8 Implementation

Actions financed under the *SME Enhance* are to be implemented within 24 months from the date of the Grant Agreement for fixed periods of either 6 months, 12 months, 18 months or 24 months depending on how long the applicant has applied for within the application (*between 0-6 months; 6-12 months; 12-18 months, 18-24 months*). Extensions beyond this timeframe may be considered upon the express request of the Beneficiary, when justified. Nonetheless, investments are to be concluded by 30 June 2029<sup>3</sup>.

### 1.9 Regulatory Framework

The Programme for support from the European Regional Development Fund, Cohesion Fund and Just Transition Fund.

<https://fondi.eu/programme/european-regional-development-fund-cohesion-fund-just-transition-fund/>

The Partnership Agreement of Malta.

<https://fondi.eu/programme/partnership-agreement/>

Aid may be awarded in accordance with the relevant terms and conditions of Commission Regulation (EU) No 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid.

<https://eur-lex.europa.eu/eli/reg/2023/2831>

Aid may be awarded in accordance with the relevant terms and conditions of 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. [General Block Exemption Regulation (“GBER”).

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20230701>

Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund. This Regulation sets out the specific objectives and the scope of support from the European Regional Development Fund (ERDF) with regard to the Investment for jobs and growth goal referred to in Article 5(2) of Regulation (EU) 2021/1060.

<sup>3</sup> This date may be extended subject to compliance with national targets.

<https://eur-lex.europa.eu/eli/reg/2021/1058>

Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>



## 2 Eligibility

### 2.1 Eligible Undertakings

**Micro, Small and Medium**-sized Enterprises engaged in an economic activity, irrespective of their legal form, referred to as the ‘Undertaking’, subject to the exclusions enlisted below.

For applications under *Start-up*, eligible undertakings are **Start-ups** which are **Micro and Small** Enterprises engaged in an economic activity, irrespective of their legal form, referred to as the ‘Undertaking’ subject to the exclusions enlisted below.

Undertakings which are not vested with a legal personality acquired through the law applicable to their establishment, need to be registered under the Second Schedule of the Civil Code (CAP 16 of the Laws of Malta).

### 2.2 Eligible Actions

This Grant Scheme shall seek to support Start-ups and SMEs in undertaking productive investments in Tangible and Intangible assets related to the expansion, diversification, innovation of the operations, as well as on initial investments.

### 2.3 Eligible Expenditure

This Grant Scheme will support eligible enterprises to procure:

#### a) Equipment and Machinery<sup>4</sup>

Costs for the purchasing of the main component of the operation in terms of equipment and machinery required by the Undertaking for the operation. Any training costs limited to the use of the specific item acquired and included in the purchase price of the item in question, and thus from the same provider shall be included in the eligible cost. Equipment/machinery must be maintained by the Beneficiary and remain operational for at least 3 years following the final payment to the beneficiary.

#### b) Ancillary items<sup>5</sup>

Allocation of up to 10% of the eligible cost of the operation in terms of Equipment and Machinery capped at a maximum grant amount of not more than €10,000, or the remaining balance to the maximum scheme threshold (*whichever is the lowest*) for the purchasing of ancillary items to the main activity of the project. Items must be eligible when considered as ‘Equipment and Machinery’ as defined underneath and related to the operation and/or economic activity of applicant.

#### c) Lease of private operational premises

Costs for leasing of privately owned operational premises required for the operations of the Undertaking for the duration of 2 years. Such costs shall be capped at 10% of the eligible cost under Equipment and Machinery. For applications under Start-ups such

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<sup>4</sup> For subscription-based software, the cost of a 2-year subscription will be considered as the eligible cost item.

<sup>5</sup> Ibid ...

costs shall be capped at 20% of the eligible cost of the eligible cost under *Equipment and Machinery*.

In addition to the above, applicants may include in their operations budget another simplified cost option<sup>6</sup>, being a flat rate on the eligible expenditure<sup>7</sup>, to reflect as follows:

- 7% flat rate to finance any indirect costs related to the investment<sup>8</sup>

**The aid value for the identified eligible expenditure shall be reimbursed through the application of actual cost incurred and paid and capped at the value of the Grant Agreement or the invoice amount, whichever is the lowest.**

**Any of the above expenditure is to be identified in the Application and Investment Proposal (if applicable) and are to be procured from external and unrelated sources to the applicant.**

For the purpose of this scheme, the below-listed items are considered as constituting **Equipment and Machinery** and thus being eligible for aid subject to any other conditions identified in the Guidance Notes:

1. Furniture
2. Fixtures and fittings, excluding:
  - a. Network Cabling
  - b. Wall Paintings
  - c. Soft Furnishings, which amongst others include Blinds, Curtains, Curtain Rails, linen, sheets, towels, pillow-cases and similar
  - d. Plants and Shrubs
  - e. Solar Panels
3. Equipment, excluding:
  - a. Military equipment
4. IT equipment [both tangible and intangible]
5. Vehicles (land and water) as per underneath
  - a. Only if directly related to the economic activity
  - b. Only if no specific schemes are available
  - c. Can be considered as equipment (*primary use is not transport*)
  - d. If economic activity relates to passenger transport, it will only be considered eligible if it is a mass transport vehicle (minimum 8 passengers)
    - i. In that case, a reduced aid intensity shall apply in the order of full electric/hydrogen, partial electric/hydrogen, latest EURO standard (75/60/50% of applicable aid intensity).
    - ii. In the case of water vessels, if vessel and motor are separate, reduced intensity will be applied to costs related to the purchase of the motor only.

<sup>6</sup> The maximum grant shall not exceed the maximum aid intensity as identified in 1.7 of the Guidance Notes

<sup>7</sup> As identified in 2.3(a), 2.3(b) and 2.3(c) of the Guidance Notes.

<sup>8</sup> In line with Article 54 (a) of Reg. (EU) 2021/1060 of the European Parliament and of the Council.

- e. Replacement motors for used vessel/vehicle are not eligible.

Moreover, any of the above must be related to the applicant's economic activity, must have a productive purpose not merely for embellishment and must have a lifetime of over 3 years.

Expenditure shall only be considered eligible if it is approved in the Grant Agreement, incurred during the specified project period and, the Beneficiary achieves the set indicators as outlined in the Grant Agreement and in line with these Guidance Notes.

#### 2.4 Ineligible Expenditure

- a) Costs related to the repair and maintenance of equipment, machinery and buildings, including costs for maintenance agreements including bundles for technical issues.
- b) Tax including Value Added Tax and other duties.
- c) Insurance costs.
- d) Training costs except for costs identified in section 2.3(a) above.
- e) Contingencies and/or losses made by the Applicant.
- f) Payment of dividends, royalty and interest changes.
- g) In kind contributions.
- h) Service charges arising on finance leases, hire purchase and credit arrangements.
- i) Used, re-furnished or re-manufactured Equipment and Machinery.
- j) Cost resulting from deferral of payments to creditors.
- k) Cost related to litigation including resulting claims for damages and fines.
- l) Statutory fines and penalties.
- m) Payments for gifts and donations.
- n) Entertainment (including catering, receptions, etc.)
- o) Depreciation.
- p) Foreign exchange costs and related losses.
- q) Bank charges.
- r) Commissions.
- s) Land, Buildings and any construction works
- t) Fees relating to design, marketing and any other consultancy work
- u) Mobile phones
- v) External Apertures
- w) All M&E (supplies and works) related to the Building Envelope including but not limited to Plumbing; Electrical Installations; Sockets, Plugs, Switches, A/C / VRF / Ventilation systems; Central Heating boilers and radiators<sup>9</sup>
- x) Finishes (supplies and works)<sup>10</sup>

<sup>9</sup> May be considered if specialised for the economic activity to the extent that they may be considered equipment

<sup>10</sup> *Ibid*

- y) Projects that already exist within the framework of other funding programmes of the European Union.

## 2.5 Exclusions

- i. Undertakings subject to collective insolvency proceedings or fulfilling the criteria under their domestic law for being placed in collective insolvency proceedings at the request of their creditors.
- ii. Undertakings subject to an outstanding recovery order following a Commission decision declaring an aid granted by Malta illegal and incompatible with the internal market.
- iii. Undertakings that have not honoured their obligations further to a recovery order issued by MSD.
- iv. Exclusions as per provisions of Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid
- v. Undertakings whose activities<sup>11</sup> include, directly or indirectly, the provision of any of the eligible expenditure, are excluded from applying for such expenditure.
- vi. Undertakings that have the internal capability<sup>12</sup> to develop or retail any of the eligible expenditure are excluded from applying for such expenditure.
- vii. Undertakings whose principal activities fall under Section A ‘Agriculture, Forestry and Fishing’ of the NACE Rev. 2.
- viii. Undertakings active in the sector of processing and marketing of agricultural products, in the following cases:
  - where the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned.
  - where the aid is conditional on being partly or entirely passed on to primary producers.
- ix. Undertakings whose principal activities include the manufacturing, processing and marketing of tobacco and tobacco products.
- x. Public entities: Ministries, Departments, Entities, Authorities, Public Commissions, Public Sector Foundations and similar organisations carrying 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. With the exception of commercial Undertakings carrying out exclusively economic activity in direct competition with third parties and in which Government has a controlling interest.
- xi. Gambling and Betting Activities.
- xii. Investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC.

<sup>11</sup> The principal activities shall be determined according to the NACE code and/or M&A.

<sup>12</sup> Internal capability shall be determined according to the NACE code and/or M&A of related enterprises.

- xiii. Actions resulting in training and mentoring activities.
- xiv. Actions resulting in investment in the decommissioning or the construction of nuclear power stations.
- xv. Actions resulting in investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.
- xvi. Undertakings engaged in an illegal economic activity.
- xvii. Applicants whose Total Eligible Cost to Net Assets (total assets minus total liabilities) ratio is less than 2%.
- xviii. Applicants with negative net assets (total assets minus total liabilities), except for start-ups, who are under 3 years, where the negative net assets do not exceed €120,000.

**The following exclusions apply only for applications submitted under the General Block Exemption Regulation (GBER) – Investment Aid**

- xix. Undertakings in difficulty defined in 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), as amended. However, aid may be granted to undertakings which were not in difficulty on 31 December 2019 but became undertakings in difficulty in the period from 1 January 2020 to 31 December 2021.
- xx. Energy Generation, distribution and infrastructure.
- xxi. The Steel Sector.
- xxii. The Lignite Sector
- xxiii. The Coal Sector.
- xxiv. The Transport Sector.
- xxv. Actions resulting in energy generation including renewable energy.

**The following exclusion applies only for applications submitted under the General Block Exemption Regulation (GBER) – Start-up**

- xxvi. Start-up Undertakings in their fourth or fifth years from the date of registration that are deemed as ‘undertakings in difficulty’ as defined in 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), as amended. However, aid may be granted to undertakings which were not in difficulty on 31 December 2019 but became undertakings in difficulty in the period from 1 January 2020 to 31 December 2021.

## 2.6 Additional Provisions

- i. The Grant amount is subject to the conditions outlined in the scheme Guidance Notes and the determined thresholds. Moreover, for applications under *de minimis*, this shall also depend on the application for and the receipt of *de minimis* aid by the single undertaking over any period of three years. In line with Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid, a single Undertaking may not receive more than €300,000 in *de minimis* aid from any public funding (EU Funds and/or any other national funds) over a rolling period of three years.
- ii. For applications under *de minimis*, undertakings are to submit an updated *de minimis* declaration on any *de minimis* aid received and/or applied for, in line with Commission Regulation (EU) 2023/2831.
- iii. The applicant enterprise is in compliance with applicable EU and national legislation and administrative requirements, including fulfilment of fiscal obligations, social security contributions.
- iv. Any works on actions in relation to the activities for which assistance is being requested may only be initiated after the date of the granting of the aid.
- v. Applicants must submit an *Investment Proposal* document or 3 quotations for each sub-activity which shall include the technical specification. The presented *Investment Proposal* document or quotations shall be the basis on which the grant shall be calculated upon.
- vi. Applicants must submit applications for Investments located exclusively in either Malta or Gozo.
- vii. The investment must be maintained in the recipient areas by the Undertaking and remain operational for a period of at least three years following the final payment to the beneficiary. This shall not prevent the replacement of equipment that has become outdated or broken within this period, provided that the economic activity is retained in the area concerned for the relevant minimum period.
- viii. Intangible assets are eligible for the calculation of investment costs if they fulfil the following conditions:
  - a. they must be used exclusively in the establishment receiving the aid;
  - b. they must be amortisable;
  - c. they must be purchased under market conditions from third parties unrelated to the buyer; and
  - d. they must be included in the assets of the Undertaking receiving the aid and must remain associated with the project for which the aid is granted for at least three years following the completion of the investment project.
- ix. All assets including 'Intangible assets' must be included in the Capital Assets Register.

- x. For assets, particularly intangible assets that are acquired through periodic subscriptions, the eligible investment cost is considered to be the value for the first two years inclusive of any initial one-time costs. If the full two year cost is not incurred during the project period, subject to at least part of the cost being incurred during this period, the full value of a 2-year subscription will be reimbursed on the basis of the cost incurred during the project period.
- xi. All supplies and services may only be procured from external sources.
- xii. Approved projects shall be based and operational in Malta or Gozo.
- xiii. The IB will not be able to approve reimbursement for costs incurred on actions and/or activities that are not strictly in line with the Grant Agreement.
- xiv. The Undertaking has not been approved or granted any public funding, and will not seek public funding through other National and/or European Union funded initiatives in relation to the activities for which assistance is being requested through this measure. This includes schemes under NextGeneration EU, Cohesion Policy and any other European Union instruments or through any other form of Public Funding including schemes administered through National Funds.
- xv. The beneficiary shall ensure that greening and climate mitigation measures should be mainstreamed within the proposed investment, whilst reuse and recycling should be pursued as much as possible when disposing of redundant/replaced equipment.
- xvi. Projects whose focus is on digitalisation elements which would be eligible under *Digitalise your SME* are ineligible under the Scheme.
- xvii. Applicants, who are not start-ups, who provide Net Assets which are less than 40% of the total eligible cost shall have the total eligible cost capped proportionally to 250% of their Net Assets or else provide a guarantee for the difference in Net Assets.
- xviii. In the case of start-ups, Applicants who provide Net Assets which are less than 20% of the total eligible cost shall have the total eligible cost capped proportionally to 500% of their Net Assets or else provide a guarantee for the difference in Net Assets. Moreover, applicants, who are start-ups under 3 years, with negative net assets not exceeding €120,000, can opt to have the eligible cost threshold calculated on the basis of their Share Capital over the minimum share capital requirement, and this is multiplied by 10 and by 250% with the resultant amount being the maximum eligible cost on which the grant will be based upon. Furthermore, applicants with negative net assets exceeding €60,000 but not exceeding €120,000, will have the maximum aid intensity reduced by 10%.
- xix. The IB is authorized to make any checks on the determination of the size of the Undertaking and should it be determined that the undertaking was not an SME as at the date of submission of the application, the IB reserves the right to withdraw the Grant Agreement.
- xx. The IB reserves the right to refuse or withdraw an application by a potential applicant or beneficiary on the basis of actual, potential or perceived

reputational harm and/or unwanted or unfavourable publicity to the IB, the Government of Malta and EU funds.

**The following provisions apply only for applications submitted under the General Block Exemption Regulation (GBER) – Start-up or Investment Aid**

- xxi. Start of works on actions in relation to the activities for which assistance is being requested may only be initiated after the date of the granting of the aid.
- xxii. Applicants must submit evidence as to the capability for private match financing the project. The beneficiary will provide a financial contribution of at least 25% of the eligible costs, either through its own resources or by external financing in a form which is free from any public support
- xxiii. Any initial investment related to the same or a similar activity started by the same beneficiary (at group level) within a period of three years from the date of start of works on another aided investment in the same level 3 region of the Nomenclature of Territorial Units for Statistics shall be considered to be part of a single investment project. Where such single investment project is a large investment project, the total aid amount for the single investment project shall not exceed the adjusted aid amount for large investment projects.
- xxiv. The beneficiary shall confirm that it has not carried out a relocation to the establishment in which the initial investment for which aid is requested is to take place, in the two years preceding the application for aid and give a commitment that it will not do so up to a period of two years after the initial investment for which aid is requested is completed.



## 3 Applications

### 3.1 Application Process

The IB shall publicise the calls on fondi.eu website and will collaborate with stakeholders particularly representatives of the target group and other Government Entities to publicise the Grant Scheme to ensure the widest visibility possible.

### 3.2 Submission of Applications

Applicants must submit an online application as outlined in the call for applications. The application shall include the Undertaking's name and size, a description of the investment, including its start and end dates, the location of the investment, a list of investment costs, the amount of public funding needed for the investment, and whether it is under *de minimis*, Investment Aid or Start-up amongst other requirements.

It is strongly advisable that prior to embarking on the development and submission of the application, prospective applicants read these 'Guidance Notes' together with the 'User Guide to the Application Form' document.

### 3.3 Documents to be submitted with the Application

1. **Declaration** – a scanned copy of the signed Declaration Form<sup>13</sup>.
2. **De Minimis Declaration Form**<sup>14</sup> – *for applications submitted under the de minimis regime*, a declaration by the single Undertaking outlining a breakdown of the *de minimis* aid applied for and/or received over a period of three years from the year of application.
3. **Applicants are to submit either one of the following requirements:**
  - a) **Investment Proposal** – to define (in detail) the following:
    - *Description of the needed investment*
      - Describe the item's function within the operations and, in brief, the need for its purchase.
    - *Technical specifications for each specific investment;*
      - These are intended to provide a baseline for comparability. The product/model may well be distinct, but it should nonetheless be possible to have a common denominator when it comes to amounts/size/ capacity/output/material etc. The minimum technical specifications do not necessarily need to be an absolute value (e.g. table with 1.5m in length). It can be a range (e.g. 1.2-1.6m length), or a lower or an upper boundary (e.g table with length of minimum/maximum 1.5m). While not intended to be overly specific, and allowing for some leeway, the applicant

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<sup>13</sup> In the case that the Authorized Representative is not a Director, a Declaration of Authorization shall be submitted in addition to the Declaration form. This does not apply for Self-Employed/Sole Traders, given that the individual signing the Declaration form is the Authorized Representative. A copy of the Declaration Form can be found in the User Guide to the Application Form.

<sup>14</sup> A copy of the de minimis Declaration Form can be found in the User Guide to the Application Form.

nonetheless needs to outline what they are looking for in the item for which aid is being requested.

- *Description of what is available on the market;*
  - There may be off-the-shelf solutions, or a completely custom-made solution is required, or a hybrid of the two can fulfil the applicant’s needs. Whichever applies, the applicant is to outline which different versions or brands for the item exist on the market at present.
- *Identification of which suppliers offer the required investment and the price range for each investment;*
  - For items which have a broad range of suppliers, it is naturally expected that the market leaders are included within the list of options considered, and that the list of suppliers is sufficiently large accordingly (e.g. one cannot justifiably list just 3 suppliers of laptops, because the local market alone includes many more than 3 suppliers). A price range can be provided for the item itself, rather than by specific supplier. One is to ensure that an explanation is provided in instances where the price range is broad
- *From the options considered, those that meet targets and requirements of the applicant should be identified.*
  - If all the suppliers mentioned in the above section are considered as meeting the applicant’s needs, then this is to be explicitly mentioned. If any don’t, then a substantive and reasonable justification thereof is to be provided accordingly.
  - Provide brief background information on each of the suppliers identified provided, together with their website URL and/or online link of each.

or

- b) **Technical Specifications & Quotations (limited to 3 distinct items<sup>15</sup>)** – to provide the minimum technical specifications and 3 comparable quotations as follows:

- The set of minimum technical specifications against which the quotations provided were sought. These should determine the minimum characteristics of the equipment and machinery identified by the beneficiary, and that a supplier must provide. These should be clear, accurate and contain a description of the beneficiary’s needs to enable the suppliers to provide the asset/s which meet those needs; and
- at least 3 comparable and valid quotations<sup>16</sup> in respect of each sub-activity in line with the set minimum technical specifications

<sup>15</sup> Multiples of identical items will be considered as 1

<sup>16</sup> During evaluation the Project Selection Committee may request further clarifications or additional quotations if not satisfied with the provided documentation.

and obtained from three different external and unrelated suppliers to the applicant. These minimum technical specifications are to be clearly identified and located within all quotations provided. Quotations not meeting the requested technical specifications may not be considered by the beneficiary (*in case project gets approved, procurement shall be done from one of the submitted quotations*).

- Brief background information on each of the suppliers identified provided, together with their website URL and/or online link of each.

**4. Compliance Certificate/s issued by the Malta Tax and Customs Administration (MTCA)** – a certificate/s issued not earlier than three months from the date of the application which contains no pending liabilities or returns; or is covered by an agreement which is being honoured, by the Malta Tax and Customs Administration (MTCA) covering Income Tax, VAT and Final Settlement and of Social Security Contributions Compliance Certificates.

**5. Audited Financial Statements and/or the Management Accounts** dated for the two financial years prior to the year of submission of the application in relation to the applicant and the linked and partner enterprises<sup>17</sup>. The most recent year for the applicant must have been closed within the last 18 months. A single financial document containing comparative data of the annual accounts of both years under assessment will be accepted. No documents would need to be submitted if a copy of these documents as outlined hereunder is already deposited with the Malta Business Registry (MBR) or the Co-Operatives Board.

- In the case of applicant, linked and partner enterprises without a legal obligation to prepare financial statements the Management Accounts (Profit & Loss Statements/Income Statement and Balance Sheet/Statement of Assets and Liabilities) certified by a CPA is to be provided.
- In the case of a Sole Trader/self-employed a copy of the Income Tax Return dated within the two financial years prior to the year of submission of the application together with a Profit & Loss Statement certified by a Certified Public Accountant (CPA) together with a declaration by the Certified Public Accountant (CPA) identifying the Current and Fixed Assets as well as the Short-Term and Long-Term Liabilities of the applicant is to be provided.
- In the case of a Start-up established not over 2 years from the date of application (*including Sole Trader/self-*

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<sup>17</sup> In line with MBR obligations of registered companies found [here](#). An income statement for Applicant is nonetheless always required.

*employed*) not having the above documentation, a Profit & Loss Account/Income Statement, Cash Flow Projections (*for a minimum of two years*) and a Balance Sheet/Statement of Assets and Liabilities certified by a CPA is to be provided.

6. **Copies of any necessary Permits** such as Planning Permits<sup>18</sup> issued in relation to activities for which support is being requested.
7. Evidence of **Private Match Financing** for the project.
8. **Supporting Documentation including** NACE code confirmation<sup>19</sup>, GANTT Chart or Implementation Schedule. Any other supporting documentation (*such as preparatory work and correspondence*) that the Applicant deems that would add value to the application.

The IB may request any additional documentation for verification purposes.

In those cases where not all the documentation is submitted with the application, applicants shall be given the opportunity to rectify the application by submitting the required documentation. The maximum period allowed for rectifications shall not exceed 2 months from the date of the rectifications letter. Applicants are to submit their missing documentation to rectify their application by said deadline. Following the submission of the rectifications, the application will be evaluated with the next available PSC meeting following the evaluation of all applications submitted in the original cut-off. If applicants fail to rectify an application by the indicated deadline in the rectifications letter, then the application shall be considered as incomplete and be rejected.

### 3.4 Acknowledgment

Once an application is submitted and confirmed, the system generates a unique reference number for the project and an acknowledgement e-mail together with the application reference number will be sent to the Applicant.

Applications will be assessed and selected as outlined in [Section 5](#) 'Assessment and Selection'. The issuance of the acknowledgement letter does not confer any obligation on the IB to issue the Grant towards the financing of the project. Actions may only be initiated further to the signing of the Grant Agreement.

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<sup>18</sup> In those instances where the necessary Planning Permits have not yet been issued at the time of submitting the application, an application for support under the scheme may still be submitted. In such cases, if an application makes it through the Selection Process, the granting of aid shall be conditional that within six months from the issuance of the Acceptance Letter, the relevant executable Planning Permits have been issued and a copy thereof is submitted to the IB, prior to the signing of the Grant Agreement. Extensions beyond this timeframe may be considered upon the express request of the Beneficiary, when justified.

<sup>19</sup> The NACE confirmation shall be in the form of VAT Information Sheet or else communication with the NSO Business Register including the four-digit code in the form of 11.11.

## 4 Compliance with Community Policy

### 4.1 Payments of costs under the approved Investment

Undertakings should note that Grants awarded for actions under the SME Enhance are public funds. Beneficiary Undertakings should ensure that procurement of all cost items to be co-funded through the Grant Scheme is carried out in line with the principles of sound financial management.

### 4.2 State Aid Requirements

The terms and conditions of this Grant Scheme are in line with Commission Regulation (EU) No 2831/2023 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid.

**The Undertaking shall ensure compliance with the rules on cumulation of aid in line with Article 5 of the *de minimis* Regulation.**

Applicants must submit with their application a duly filled in *de minimis* declaration form regarding any other *de minimis* aid received and applied for during the current year and the previous two years. The IB will ensure that the total amount of *de minimis* aid granted to the single Undertaking shall not exceed EUR 300,000 over any period of three years.

For applications submitted under the General Block Exemption Regulation (GBER) – *Start-up or Investment Aid*, the terms and conditions of this Grant Scheme are set out in line with Commission Regulation (EU) 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application to Article 107 and 108 of the Treaty, as amended by Commission Regulation (EU) 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, and as may be subsequently amended. If an Undertaking receiving aid is found to be in breach of the relevant provisions of this Regulation, action shall be taken to claw back funds (recovery of funds) from the Undertaking in line with the provisions of the pertinent State Aid rules.

The Undertaking shall ensure compliance with the rules on cumulation of aid in line with Article 8 of Commission Regulation (EU) No 651/2014 of 17 June 2014, as amended.

It is the responsibility of the Applicant Undertaking to seek advice and to ensure compliance with State Aid rules and requirements.

### **4.3 Equal Opportunities and non-discrimination**

Beneficiary Undertakings are required to take a pro-active approach to Equal Opportunities and must ensure that at all stages of the implementation of the action/s consideration is given to Equal Opportunities.

Equal Opportunities and non-discrimination are not meant to just address gender discrimination but have a wider scope and include race, ethnicity, religion or belief, disability, age and sexual orientation.

### **4.4 Sustainable Development**

Undertakings should include Sustainable Development in the action/s and must ensure that the operation is structured in such a manner that concrete positive actions towards better sustainability and mainstreaming feature throughout. It is important that Environmental matters should also be taken into consideration at all stages of the design, development and implementation of the action and the action should be structured to avoid any related environmental damage.

### **4.5 Do No Significant Harm Principle**

Beneficiary Undertakings are required to ensure that planned investments fulfil and respect the conditions of the ‘do no significant harm’ (DNSH) principle within the meaning of Article 17 of Regulation (EU) 2020/852.

Applicants may wish to consult with the Commission’s technical guidance on the application of ‘do no significant harm’ under the RRF Regulation (2021/C 58/01). It covers the six environmental objectives set out in Article of Regulation (EU) No 2020/852 including: Climate change mitigation; Climate change adaptation; The sustainable use and protection of water and marine resources; The circular economy including waste prevention and recycling; Pollution prevention and control to air, water and land; The protection and restoration of biodiversity and ecosystems.

It should be noted that the ‘Do No Significant Harm Assessment carried out in relation to the ERDF/CF Programme and JTF Plan 2021 2027’ concluded that this measure will not have a significant impact on any of the environmental objectives and therefore does not require a substantive assessment.

## 5 Assessment and Selection

The Assessment and Selection of projects shall be undertaken by a Project Selection Committee.

Applications will be assessed against the Gateway (*eligibility*) Criteria and will proceed to be assessed against the Selection Criteria only if the application meets all the requirements of the Gateway (*eligibility*) Criteria.

Applications attaining at least 50% of the total score shall be approved for funding subject to the budget availability.

### 5.1 Gateway Criteria

The Gateway Criteria are the minimum requirements which must be met in order that any application may be considered for assessment and appraisal for selection for funding support. This stage will involve an assessment and a Due Diligence process to establish that these minimum requirements are met, namely:

1. **Complete application:** an Undertaking must present a fully compiled application together with all the requested supporting documentation, by the indicated deadline.
2. **Eligible Undertaking:** the Undertaking is an eligible Undertaking in line with these Guidance Notes.
3. **Eligible action:** the action for which the Applicant is asking for support is eligible and at least includes an eligible activity.
4. **Match Financing:** the Applicant has submitted evidence as to its capacity to match finance the project from private sources.
5. **Total Eligible Cost to Net Assets Ratio:** the Applicant has a Total Eligible Cost to Net Assets Ratio of more than 2%.

### 5.2 Financial Viability Check

Applications with a Grant Request of more than €60,000<sup>20</sup> shall be subject to a Financial Viability Check<sup>21</sup>.

We will assess your financial capacity by checking that your organisation:

- has sufficient liquidity (it is capable to cover the short-term commitments)
- is financially autonomous (it is capable to cover the debt costs)
- is solvent (it is capable to cover its medium and long-term commitments)
- is profitable (it is generating profits or at least has self-financing capacity).

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<sup>20</sup> The IB reserves the right to perform the Financial Viability Check even when the Grant requested is less than €60,000.

<sup>21</sup> Applicants can use a simulator of the Financial Viability Check which can be accessed from: <https://ec.europa.eu/research/participants/lfv/lfvSimulation.do>

For natural persons, the financial viability is based on two criteria, liquidity and solvency.

The financial viability of applicant will always be rated low if:

1. The financial statements contain serious qualifications.
2. The applicant is a newly established entity that has not yet closed any accounts.
3. There were substantial financial findings relating to the financial capacity in an audit of the Audit Authority, Commission, the Court of Auditors or an OLAF investigation within the last two years.
4. The applicant has been involved in serious administrative errors or fraud.
5. The applicant is subject to pending legal procedures or judicial proceedings for serious administrative errors or fraud.
6. The applicant is subject to an attachment order.

Should the financial viability check result in a low rating, the IB may apply certain conditions such as:

- Require Applicant to provide a bank guarantee for any advance payment
- Not provide any advance payment or interim reimbursement
- Require Applicant to provide a guarantee covering the grant amount (or part thereof)
- Reject the Grant application

Notwithstanding the above, the IB understands that even though a newly established entity that has not yet closed any accounts is by default considered as *low rating*, it understands the special nature of the enterprise and thus may decide not to impose any conditions.

Moreover, the IB reserve the right to impose any of the conditions even if the financial viability check results in *high rating*.

The Financial Viability Assessment shall remain valid for 18 months and can be used for any application within said period.

### 5.3 Selection Criteria

Only applications that meet all the Gateway (*eligibility*) Criteria shall proceed for assessment under the Selection Criteria. The Project Selection Committee may at this stage request clarifications from the Applicant. As part of the assessment and appraisal process, a score is awarded for each Selection Criteria. Applications scoring at least 50% of the Selection criteria shall be awarded subject to budget availability. Budget will be allocated in order by receipt of a complete application (i.e. at the date of any rectifications being submitted) and the actual date of submission will be taken into account.

The total maximum score under the Selection Criteria is 100. Applications will be assessed and evaluated against the Selection Criteria outlined hereunder.

- Risk Assessment



- Excellence
- Impact and Sustainability
- Quality and Efficiency of implementation

Criteria	Definition	Score
<p style="text-align: center;"><b>Risk Assessment</b></p>	<p><b>Qualitative assessment of Applicant – 5</b> Applications will be risk assessed in relation to the age of the Applicant, business experience, track record of the management and controlling shareholders.</p>	<p><b>10</b></p>
	<p><b>Duration of the Project – 5</b> Applications will be risk assessed in relation to the proposed duration of the project vis-à-vis the implementation timelines in the respective guidance notes. Such assessment shall take into account potential implementation delays which may stretch the proposed project duration and have a negative impact on absorption of funds.</p>	
	<p><b>Implementation Risks linked to the duration of the Project – max 0pts (-5pts Lowest)</b> This section will carry negative marking to reflect project implementation risks linked to the duration of the proposed activities. The duration of the project will be assessed in terms of how realistic it is to complete the project within the indicated timeframe. The more complex the activities, the more likely that the project will experience delays and therefore the lower the score.</p>	
<p style="text-align: center;"><b>Excellence</b></p>	<p><b>Quality of the proposed project concept through its main characteristics – 5</b> The Application Form should be of good quality and provide clear information that can be readily understood by anyone, even those not familiar with the project. The proposed project concept should not be run-of-the-mill.</p> <p>The evaluation will be assessing the overall quality of the proposed project, the project background, context and need for the project, the project's objectives, expected results and resources required. The Application is to clearly evidence that the enterprise's need to invest in the new equipment and/or machinery and the utilisation of same equipment to attain results.</p>	<p><b>30</b></p>
	<p><b>Coherence and Clarity of the Application– 10</b> The evaluation will be assessing the project's work plan, strategy, and quality of the application. Coherent proposals supported by quantitative data and market research will be rewarded.</p>	

	<p><b>Action is ambitious and is addressing an identified gap within the enterprise and/or the specific sector the enterprise operates in – 10</b>                  The action will be assessed in terms of the extent of identified gaps (both in the enterprise and/or the sector) it addresses. The evaluation will focus on the novelty of the concepts and new approaches proposed by the project.</p> <p><i><b>Factual and statistical evidence to back up the justification will render the application more robust.</b></i></p> <p><b>Action seeks to maximise the internationalisation of the Applicant – 5</b>                  The application will be evaluated in terms of the project’s potential to support the Applicant to strengthen its international presence.</p>	
<p><b>Impact and Sustainability</b></p>	<p><b>Applicant’s plan to make the enterprise more sustainable, resilient and better prepared for the challenges ahead – 5</b>                  The application and the investment shall be assessed against this criterion.</p> <p><b>Project results in improvements in the Undertaking’s business model - 5</b>                  The application will be evaluated in relation to the proposed impact on the sustainability of the business model. Applicants are to identify the benefits which shall emanate as a result of the project.</p> <p><b>Project in line with National Policies and the Programme’s horizontal priorities: Environmental Sustainability and Equal Opportunities – 5</b>                  The application will be assessed in relation to potential impact on National Policies linked to the programme and to the effective integration of the Programme’s horizontal priorities being Environmental Sustainability and Equal Opportunities.</p> <p><b>The return on investment (ROI) and potential cost reductions – 10</b>                  An assessment of the project’s impact vis-à-vis the return on investment (ROI), by dividing the projected increase in turnover by the cost of machinery. The application will also be assessed on the potential cost reductions to the operations of the Applicant through the reduction in the cost to sales ratio</p> <p><b>Size of Undertaking – 10</b>                  Proposals submitted by Micro and Small enterprises will be rewarded.</p>	<p><b>35</b></p>

<p><b>Quality and Efficiency of implementation</b></p>	<p><b>A holistic Investment – 5</b> Projects that propose a holistic investment tied to a clear objective will be rewarded.</p>	<p><b>25</b></p>
	<p><b>Quality, readiness and timeliness of the proposed project - 10</b> Projects are to:</p> <ul style="list-style-type: none"> <li>• present a GANNT Chart/Implementation Schedule of the proposed actions</li> <li>• include an assessment of the potential implementation risks, the probability of these risks happening and the identification of measures to mitigate same risks</li> <li>• demonstrate the capacity to deliver the project and that they have a contingency plan to compensate for adverse effects on timetable, expenditure, and outputs.</li> </ul> <p>Applications showing that their proposal is in an advanced state of readiness, such as having already assessed the options obtained or in possession of required licences/permits, shall be rewarded. Evidence of such documents is to be provided with the application.</p>	
	<p><b>Operational Capacity and allocation of human resources towards the implementation of the project including the current organisation’s structure – 5</b> The capacity to implement the project is part of the commitment of the Applicant. The evaluation will be assessing the allocation of human resources, both internal and external, towards the project to ensure its successful implementation and sustainability. Experience in the implementation of projects co-financed through Structural Funds, other EU programmes or own funds shall be rewarded. The Application must not only include the segregation of the level of management and control but shall also include an explanation of the expertise of the personnel in each role. This shall be complemented by any organigram or description provided.</p> <p><b>The application shall include the names and ID numbers of the human resources working on the project.</b></p> <p>Should applicants fail to provide sufficient information the IB may apply certain conditions to the Grant.</p>	

	<p><b>Operational Capacity and Operating Costs related to the sustainability of the investment post-project including the post-project organisation’s structure – 5</b></p> <p>The evaluation will be assessing the applicant’s Operational Capacity to the sustainability of the investment post-project through any Management and Control Systems in place as well as the operating costs related to the investment post-project.</p> <p>The Application is to demonstrate quality standards adopted by the undertaking and include internal procedures, processes and resources in place. The application should demonstrate quality planning, quality control, quality assurance and quality improvement in relation to the proposed project.</p> <p>The Application must not only include the segregation of the level of management and control but shall also include an explanation of the expertise of the personnel in each role. This shall be complemented by an updated post-project organigram or description provided. Moreover, the application must also include the operating costs of the investment for the duration of the durability.</p> <p>Should applicants fail to provide sufficient information the IB may apply certain conditions to the Grant.</p>	
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**5.4 Unsuccessful Applications**

Unsuccessful applicants will be informed in writing by the IB.

**5.5 Appeals**

An independent Appeals Board shall be appointed.

Applicants whose application was not selected may submit motivated representations within 10 working days from the date of notification by the IB.

The Appeals Board shall assess the submitted representation, reviews those respective applications, and notify the Applicant of its decision. The decision of the Appeals Board shall be final.

**5.6 Acceptance Letter**

The IB shall issue a funding acceptance letter to selected applicants. The Funding acceptance letter shall include any conditions as outlined by the Project Selection Committee. It should be noted that a positive decision at this stage is not a guarantee of funding. All the conditions set out in the funding acceptance letter would need to be discharged before the Grant Agreement can be signed.

### **5.7 Grant Agreement**

The IB shall liaise with the Applicant with a view to concluding the Grant Agreement which shall include any conditions as outlined by the IB. The Grant Agreement (GA) is the formal agreement between the IB and the Applicant. The GA is the legally binding document and sets out the terms of the grant. The IB will work through the terms and any conditions which must be discharged prior to entering the GA with the Applicant. When the IB is satisfied that any conditions have been discharged, it will issue the GA and submit two copies to the Applicant who will sign both copies with the IB keeping one copy and the other kept by the Beneficiary.

## 6 Implementation, Monitoring and Reporting

### 6.1 Implementation

#### 6.1.1 Filing System

The beneficiary is to keep and maintain a separate filing system for the approved investment and may opt to keep an electronic system. Nonetheless, the filing system, regardless of whether it is electronic or hard copies, shall be made available and be easily referenced when monitoring and audit visits are conducted by the respective authorised entities. The beneficiary is obliged to keep all the documentation related to the operation for audit purposes for 3 years following the final payment to the beneficiary of the assisted operation. The sample proposed filing system folder can be downloaded from [here](#).

#### 6.1.2 Inventory

The Beneficiary is to fill in an Inventory of the fixed assets financed from the project and include the required details on the standard template which is available in [Annex II](#) and is obliged to keep an updated version of such inventory. Assets must remain associated with the enterprise throughout the durability period.

The inventory shall be frequently updated to include the relevant details of the assets purchased and list any equipment that has undergone any alterations following acquisition. The list is to be signed and certified correct by the Authorized Representative or Project Manager and made available to the IB upon request.

#### 6.1.3 Payments

**Cash disbursements are strictly prohibited.** The total expenditure must be paid by the beneficiary through transparent, traceable bank transactions. Payments should be made through an identifiable bank account as indicated in the Financial Identification Form submitted by the beneficiary<sup>22</sup> and to the identified bank account of the Service Provider/Supplier as outlined in the respective invoice or in the Supplier Financial Identification Form.

#### 6.1.4 Project Manager

The Project Manager is identified in the application form and is the person responsible for the implementation of the project on a day-to-day basis. The Project Manager is the beneficiary's point of contact with the IB and should be available and reachable within reasonable timeframes to discuss the project on a periodical basis as required.

The beneficiary shall ensure that a Project Manager is assigned throughout the full implementation of the project and should there be a change in the Project Manager a [Change in Project Manager form](#), downloaded from [here](#), shall be submitted via email on [msd.eufunds@gov.mt](mailto:msd.eufunds@gov.mt).

#### 6.1.5 Changes and amendments to the investment project

Issues may arise during the implementation of an investment project that necessitate a deviation from the original application as reflected in the Grant Agreement. In such

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<sup>22</sup> The form (to be signed and dated) will need to be submitted at reimbursement stage by the beneficiary.

cases, the beneficiary is to notify the IB immediately and submit a written request including a justification for the change.

For any changes related to the main component/s of the operation or any other sub-activities approved under the activity **Equipment and Machinery** (as identified in Section 2.3(a)) the written request shall be accompanied by either an updated *Investment Proposal* for the said item or else 3 comparable and valid quotations together with the new technical specifications (in line with the document provided at application). In case of the latter, should the request be approved, procurement shall be done based on one of the submitted quotations.

No expenditure related to actions and activities impacted with such deviations may be incurred by the beneficiary without approval issued by IB in this regard.

Invariably, deviations may not impact on the substance of the original application and on which the operation was evaluated and selected.

In no instance will requests for an increase in the budgetary allocations resulting in an increase in the total Grant amount as outlined in the Grant Agreement be accepted.

Beneficiaries may request any extension for a minimum block of 6 months, marks permitting. In this case a deduction of 1% on the original Grant Amount awarded per each block of 6 months shall be applied, even if an extension covering a period of over 24 months is requested. Each operation is allowed an extension equivalent to one block of 6 months for which no deduction shall apply. For any operations that request an extension that goes beyond 36 months, programme and scheme permitting, a deduction of 2% of the original Grant amount shall apply for each block of 6 months.

Any requests for extensions shall be submitted via email prior to the end date. If the request an extension is requested after the end date has elapsed, an additional penalty of 5% on the original Grant amount shall apply. This 5% shall be applied over and above any deductions per each block of 6 months and regardless of whether it is the first request or not.

In each case, should a Beneficiary request a change which reduces the Grant amount, any deductions will be done on the original Grant Amount and deducted following the reduction of the Grant.

#### **6.1.6 Retention of Documentation**

The Beneficiary has the obligation to retain all related documents for control and audit purposes, for 3 years following the final payment to the beneficiary of the project. The Beneficiary must also co-operate with the IB and other monitoring and audit bodies entrusted with such functions with respect to the granting of aid under this scheme, for the duration of 3 years in light of audits and other controls.

### **6.2 Procurement Process**

#### **6.2.1 General**

The procurement process shall be compliant with Community Policy as identified in [Section 4](#) of the Guidance Notes.

Moreover, eligible expenditure should meet the following criteria:

- (i) Must be incurred by the Beneficiary;
- (ii) Must be incurred within the period and for actions set out in the Grant Agreement;
- (iii) Must be identifiable and verifiable, recorded in the beneficiary's accounts in accordance with the applicable accounting standards;
- (iv) Must comply with the applicable national and EU legislation including law on taxes, labour and social security; and
- (v) Must be reasonable and comply with the principle of sound financial management.

**Beneficiaries should avoid situations that could present conflicts of interest when undertaking procurement. All procurement of goods, works and services is to be made from sources external and unrelated to the beneficiary Undertaking.<sup>23</sup>**

VAT is not an eligible cost and beneficiaries should ensure that VAT and any other taxes should be quoted separately by suppliers.

All financial documentation should be presented in the Euro denomination, and where this is not possible the beneficiary should convert the foreign currency using the applicable daily exchange reference rate issued by the European Central Bank and which may be accessed through: <https://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>

The beneficiary should clearly indicate the rate applied. The exchange rate should be the rate applicable on the day the payment was made.

Unless the invoice issued by a Service Provider/Supplier includes the Bank Account identification where the payment is to be affected, the beneficiary shall request the Service Provider/Supplier to fill in the Supplier Financial Identification Form provided by the IB in [Annex IV](#).

Failure by the beneficiary to observe the requirements may impact the eligibility of the expenditure and the investment project itself. The beneficiary may be subject to loss of funds through the imposition of financial corrections and/or recovery of funds if non-compliance is observed at any stage. The Beneficiary shall be liable to pay back the amount identified to be ineligible/non-compliant with these rules by the IB, the Managing Authority the Audit Authority, and any other body responsible for the monitoring of expenditure.

### **6.2.2 Items under the activity Equipment and Machinery (as identified in Section 2.3(a))**

Beneficiaries shall procure from the preferred solutions identified in the *Investment Proposal* or else one of the quotations provided with the Application Form. In those instances where Beneficiary had a change approved in line with [Section 6.1.5](#), then the

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<sup>23</sup> The fact that the buyer does not control the seller is not sufficient for fulfilling this criterion. The parties must be unrelated and there should be no influence (decisive or not) on the composition, voting or decisions of the organs of an Undertaking or family ties between the buyer and seller.



Beneficiary shall procure either from the preferred solutions identified in the updated *Investment Proposal* or else one of the quotations provided.

The following documents are to be kept and presented with the claim for reimbursement, together with those identified in [Annex III](#):

- Copy of Invoice
- Confirmation of Purchase
- Copy of Fiscal Receipt (*where a tax invoice is not provided*)
- Copy of Proof of Payment (*Copy of bank transfer payment/bank cheque encashment image*)
- Copy of Bank Statement identifying the transaction/s **Certified by a Certified Public Accountant**

### **6.2.3 Items under the activity Ancillary Items (as identified in Section 2.3(b))**

For expenditure of items under the activity *Ancillary Items as identified in Section 2.3(b)*, the Beneficiary may procure directly from the open market.

The following documents are to be kept and presented with the claim for reimbursement, together with those identified in [Annex III](#):

- Copy of Invoice
- Confirmation of Purchase
- Copy of Fiscal Receipt (*where a tax invoice is not provided*)
- Copy of Proof of Payment (*Copy of bank transfer payment/bank cheque encashment image*)
- Copy of Bank Statement identifying the transaction/s **Certified by a Certified Public Accountant**

### **6.2.4 Purchasing of Subscription-based Software**

The purchasing of subscription-based Software shall be procured in line with the above procurement guidelines and the cost of a 2-year subscription<sup>24</sup> will be considered as the eligible cost item. Together with the Claim for Reimbursement, and the documents identified in [Annex III](#), a declaration from the supplier/service provider<sup>25</sup> shall be provided indicating the following:

- Date of Purchase and/or installation
- Details confirming the type and version of the Software
- Details of the location, including hardware serial numbers, where the software is installed
- Terms of Licence
- Pricing Plan<sup>26</sup>

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<sup>24</sup> If the operation duration was less than two years, then receipts covering up to the submission of the claim for reimbursement are to be provided. Further receipts are to be submitted once they are paid.

<sup>25</sup> If the subscription-based software is bought online and a declaration from the supplier/service provider could not be provided, such declaration shall be provided by the beneficiary.

<sup>26</sup> Reimbursement to be capped to the cheapest price option in line with requirements identified in the technical specifications.

### 6.2.5 Lease of Private Operational Premises

The costs for the duration of 2 years of the leasing of privately owned operational premises required for the operations will be considered as the eligible cost item. Moreover, such costs shall be capped at 10% of the eligible cost of the eligible costs approved under Equipment and Machinery. For applications under Start-ups such costs shall be capped at 20% of the eligible cost of the eligible cost approved under Equipment and Machinery.

The following documents are to be kept and presented with the claim for reimbursement, together with those identified in [Annex III](#):

- A copy of the receipts for the 1<sup>st</sup> year of payment of the Leasing Contract <sup>27</sup>
- Copy of the leasing agreement covering at least the 2<sup>nd</sup> year of leasing.

### 6.2.6 Award Criteria

For all types of procurement, the reimbursement shall be pegged to the invoice amount, or the expenditure approved in the Grant Agreement, whichever is the lowest.

## 6.3 Monitoring

Effective monitoring is an important aspect which needs to be undertaken to ensure efficient and effective implementation and in ensuring that the targeted outcomes are achieved.

### 6.3.1 Monitoring by the Beneficiary

The beneficiary has the responsibility of ensuring effective monitoring of the implementation of the action. This responsibility goes beyond the achievement of the results but also that of monitoring the efficient implementation of the assisted intervention. The beneficiary must keep documentary evidence of the implementation including the filing system, progress and final implementation reports, photographic evidence, and any necessary pertinent documentation providing an audit trail of the actions and activities within the implemented operation.

### 6.3.2 Physical on-the-spot checks by the IB

The IB will conduct physical visits to conduct checks and management verifications on the implementation of the project. Prior to such visit, the beneficiary is to submit an updated copy of the inventory and during the visit shall make available all documentation and records considered relevant to the project. During such visit, the IB will also physically check the procured investments and cross check their relevant details with the inventory. IB shall draw up a report following the visits which will include the findings and any corrective action required because of the finding of the visit and the checks conducted.

The IB may make enquiries with the Malta Association of Credit Management to carry out the necessary checks in line with the Regulations and Good Governance principles and with other competent Authorities, including but not limited to Jobs Plus, to verify any information submitted

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<sup>27</sup> If the operation duration was less than a year, then receipts covering up to the submission of the claim for reimbursement are to be provided. Further receipts are to be submitted once they are paid.

The IB retains the right to conduct any unannounced monitoring visits at its sole discretion.

### 6.3.3 Monitoring and Evaluation Activities

The beneficiary is bound to co-operate and contribute to all monitoring and evaluation activities organised by the IB, the MA, the European Commission as well as other Authorities. This may include contribution through participation in surveys, events and in providing information to be included in publications and online media.

### 6.4 Reporting

A periodical 'Progress Report' may be requested to be submitted in line with the indicated schedule:

Period Covered	Submission Deadline
1 January – 30 June	31 July
1 July – 31 December	31 January

A 'Final Implementation Report' is to be submitted together with the final claim for reimbursement, following the completion of all the assisted activities as outlined in the Grant Agreement.

In section 6.5 'Reimbursement', guidance is provided to the beneficiary when to provide progress reports (*falling outside of the timelines presented in the table above*) in line with the submission of respective claims for reimbursement.

The IB shall carry out on-the-spot checks during and after the project implementation timeframe.

### 6.5 Advance Payments

Beneficiaries may be entitled for Advance Payment/s as specified in the Grant Agreement. The total amount of Advance Payments shall not exceed 40% of the total eligible Grant amount.

#### 6.5.1 1<sup>st</sup> Advance Payment

Milestone – Signing of the Agreement

Amount – For applications under Investment Aid and de Minimis - 50% of the 7% Flat Rate for Indirect Cost (*as identified under 2.3*). For applications under Start-up - 100% of the 7% Flat Rate for Indirect Cost (*as identified under 2.3*) and the amount covering at least 1 year of the *Lease of Private Operational Premises (as identified in under 2.3(c))* capped at the eligible Grant amount of 1 year leasing as identified in the Grant Agreement.

Payment Trigger – Signing of the Agreement. Applications under Start-up need to also provide a copy of Lease Agreement covering a minimum of the 1<sup>st</sup> year of Leasing.

#### 6.5.2 2<sup>nd</sup> Advance Payment

Milestone – Confirmation of purchase of the main component/s as identified in the Grant Agreement

Amount – For applications under Investment Aid and de Minimis - 30% of the eligible Grant amount of such component/s as identified in the Grant Agreement. For Applications under Start-up – The amount requested as deposit capped at the eligible Grant amount of such component/s as identified in the Grant Agreement.

Payment Trigger – Invoice from supplier of main component/s

Additional Information – Such component/s is to be fully paid, delivered and operational within the calendar year of the advance payment. Copies of proof of payment and receipts are to be provided to the IB by the upcoming end of April following the advance payment.

## 6.6 Reimbursement

Beneficiaries may present a claim/s for reimbursement upon completion of the project or upon completion of any identified targets for planned investments identified in the Application Form and as accepted in the Grant Agreement.

Claim/s for reimbursement may be presented together with a Progress Report to the IB once the beneficiary has effectively reached the set target and in line with the conditions of Section 6.6.1.

Claim/s for Reimbursement shall follow the sample folder structure downloaded [here](#) and be submitted as soft copy in .Zip format to [msd.eufunds@gov.mt](mailto:msd.eufunds@gov.mt). This with the exception of the *Claim for Reimbursement, Annex I to the Claim* and the *Report by the Authorized Representative*, which are either to be submitted as originally signed hard copies or else digitally signed with a Qualified Signature (QES).

### 6.6.1 Interim Claim/s for Reimbursement

Milestone and Amount – Delivery of the main component/s as identified in the Grant Agreement. The amount for reimbursement shall offset any advance payments made. The maximum amount eligible for interim reimbursements shall not exceed 60% of the grant amount as identified in the Grant Agreement with an additional 10% if such components are operational, net of any advance payments. For Applications under Start-up – The maximum amount eligible for interim reimbursements shall not exceed 70% of the grant amount as identified in the Grant Agreement with an additional 10% if such components are operational, net of any advance payments.

Payment Trigger - Receipt of claim for reimbursement accompanied by a Progress Report from the beneficiary. Verification by the IB that the **investment is in place and/or operational (if requesting the additional 10%)**. The IB retains the discretion to request the Beneficiary to present expert reports to substantiate any claims presented, when and as required.

### 6.6.2 Final Claim for Reimbursement

Milestone and Amount – Final claim for reimbursement including all the remaining eligible expenditure, being the remaining amount of the main component/s of the operation, any other items approved under Equipment and Machinery (*as identified under 2.3(a)*), Ancillary Items (*as identified under 2.3(b)*), Lease of Private Operational

Premises (*as identified under 2.3(c)*) and the remaining balance of the 7% Flat Rate for Indirect Cost (*as identified under 2.3*), net of any advance payments.

Payment Trigger – Receipt of claim for reimbursement accompanied by a Final Report from the Beneficiary. Verification by the IB that the **investment is in place and operational**. For the *Lease of Private Operational Premises (as identified under 2.3(c))* beneficiary is to present a copy of the receipts for the 1<sup>st</sup> year of payment of the Leasing Contract together with a leasing agreement covering at least the 2<sup>nd</sup> year of leasing. The IB retains the discretion to request the Beneficiary to present expert reports to substantiate any claim presented, when and as required.

Each claim for reimbursement shall include the documentation identified in [Annex III](#).

The IB may request further documentation where and as necessary and the reimbursement request will only be processed once the IB is satisfied that the reimbursement criteria have been met.

**It is the beneficiary's responsibility to ensure that reimbursement requests, including all the required supporting documentation, are submitted to the IB by not later than 30 September 2029, or on a later date as identified by the IB.**

**Reimbursement requests are expected to be submitted to the IB within 3 calendar months from the end date of the operation as identified in the Grant Agreement and/or approval for extensions. Failure to submit the claim within such period shall incur a deduction of 0.5% of the original Grant amount awarded for every month, or part thereof, that the beneficiary doesn't submit the claim.**

### 6.7 Payment Process

The IB shall ensure that every effort is made to process the payment without undue delay from receipt of a complete Claim for Reimbursement, and further to the resolution of any clarifications sought from the beneficiary and is satisfied that the assisted intervention has been implemented in line with the Grant Agreement and the pertinent regulations. Once the claim for reimbursement is processed, further checks may be conducted by the EU Payments Unit before the execution of the payment. The IB shall not be held liable for any delays in the payment process, or for any overruling by a superior authority of its initial approval of payment. Should the Beneficiary take his case to Arbitration as identified in [Section 7.5](#), the payment process shall be put on hold until such a decision is given.

### 6.8 Double Financing

In line with the provisions of Article 191 (3) of Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union, it is a fundamental principle that **in no circumstances shall the same costs be financed twice by the budget**. The IB reserves the right to share all the information related to the supported activities with other public entities to ensure that no other public funds were made available to the Undertaking in respect of the same activity. Funding for the same action from any other source of public funds is prohibited and will result in claw back (recovery) of funds.

## 7 Audit and Control

### 7.1 Internal Control

The beneficiary has the responsibility to put in place and maintain control arrangements to ensure proper and sound financial management of the funds. The beneficiary shall ensure that a separate accounting system or an adequate accounting code is maintained for all transactions related to the operation without prejudice to national accounting rules. In the case where the beneficiary is implementing operations supported through different Schemes co-financed through European Structural and Investment Funds, a separate accounting system or an adequate accounting code must be maintained for each operation.

### 7.2 Accounting Treatment

#### 7.2.1 Enterprises with the obligation to prepare annual financial statements

Use of an Adequate Accounting Code (*a Nominal Ledger Account dedicated to the scheme*) in an existing computerised Accounting System: in this case, beneficiaries must make provisions to open a new Accounting Code in their Nominal Ledger, where all transactions related to the operation will be posted. All entries must be easily identifiable and retrievable, as well as auditable. Beneficiaries may make use of Journal Entries. The same principles apply if a strictly separate accounting system is opted for.

Beneficiaries must comply with generally accepted accounting principles and practices as defined by Article 3(1) of LN. 19 of 2009 Accountancy Profession (Accounting and Auditing Standards) Regulations. This shall mean that beneficiaries are to adhere either to:

- i. International Accounting Standards<sup>28</sup>; or
- ii. General Accounting Principles for qualifying private or small and medium-sized entities as may be prescribed by regulations, directives or guidelines issued from time to time in terms of the Accountancy Professions Act.<sup>29</sup>

#### 7.2.2 Enterprises with no obligation to prepare annual financial statements

A separate Bank Account and/or a record showing full details of expenditure paid and funds received related to the operation (*e.g. spreadsheet*) must be kept.

#### 7.2.3 Audit Visits

**It is pertinent to note that audit visits may be conducted without prior notice, throughout the different phases of the action including after completion of the action.**

Beneficiaries should ensure that the Authorized Representative and Project Manager are available during the audit. All the documentation should be available in the designated project file and access to the documentation is to be facilitated, as may be requested by the auditors.

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<sup>28</sup> Particularly the *International Accounting Standard (IAS) 20: Accounting for Government Grants and Disclosure of Government Assistance*.

<sup>29</sup> For financial reporting periods commencing on or after 1st January 2016 SL 281.05 (General Accounting Principles for Small and Medium-Sized Entities) Regulations.

#### 7.2.4 Audit Follow-up

Further to the conclusion of the audit, the auditors will draft a report outlining all the findings and any pertinent recommendations. If clarifications are required, the auditors will seek feedback from both the IB and the beneficiary. The beneficiary is obliged to cooperate and provide the requested feedback, data, and information by the indicated deadlines and without undue delays.

#### 7.3 Irregularities

Irregularities may be identified during different stages of the operation because of the different checks and audits carried out by different bodies, including the beneficiary. Irregularities may be identified also through other means such as fiscal controls and evaluations, receipt of complaints or information which may also be anonymous and public domain information.

The Beneficiary is responsible to **report** any irregularity detected **without delay** to the IB.

#### 7.4 Financial Recovery and Correction

In those instances where an irregularity necessitates the recovery of funds, the individual/organisation that identified the irregularity must ensure that the recovery procedures are initiated immediately.

It is pertinent to note that failure to apply rules and regulations can result in irregularities which in turn could result to financial corrections, which in certain cases may lead to a recovery of up to 100% of the payment. The applicable recovery rates will be determined in line with the guidelines issued by the European Commission and in terms of State Aid Regulations.

#### 7.5 Malta Arbitration Centre

Any dispute, controversy or claim arising out of or relating to this contract, or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with Part IV (Domestic Arbitration) of the Malta Arbitration Act and the Arbitration Rules of the Malta Arbitration Centre as at present in force.

In the case of any dispute, controversy or claim arising out of or relating to any financial recovery and/or financial correction, or the breach, termination or invalidity thereof the Grant Agreement, beneficiaries may elect to open a claim to be settled by arbitration in accordance with Part IV (Domestic Arbitration) of the Malta Arbitration Act and the Arbitration Rules of the Malta Arbitration Centre as at present in force.

In such an event the applicant and the IB agrees that:

- a) the appointing authority shall be the Malta Arbitration Centre
- b) the number of arbitrators shall be one
- c) the place of arbitration shall be Malta
- d) the language(s) to be used in the proceedings shall be Maltese or English
- e) the applicable substantive law shall be Maltese National Law
- f) the award shall be final and binding and there shall be no appeal

g) the arbitrator shall decide ex aequo et bono.

If the beneficiary accepts the reimbursement than he will be forfeiting the right to open a claim with the Malta Arbitration centre.



## 8 Information and Publicity

Beneficiary undertakings are responsible for ensuring proper visibility of interventions assisted through this Grant Scheme, part-financed by the European Union through the European Regional Development Fund 2021-2027.

All communication and publicity measures by Beneficiaries must acknowledge support from the European Union and the respective Fund in line with Section II ‘Transparency of implementation of the Funds and communication on programmes’ Article 50 and Annex IX of The Common Provision Regulation (EU) No. 2021/1060.

Visibility measures should be proportionate and reflect the scale of assistance and the nature of the project.

Beneficiaries are to seek the guidance of the IB prior to embarking on publicity and visibility actions. Failure to fully comply with the visibility and publicity requirements will result in financial corrections and loss of funds. The beneficiary is responsible to keep evidence of compliance such as copies of printed documentation, photographic evidence of participation at fairs, and of any commemorative publicity and posters affixed throughout the implementation of the project.

### 8.1 Public Notification

In line with the principle of transparency all awarded grants are to be made publicly available on [www.fondi.eu](http://www.fondi.eu) and are to be registered in a central State aid register set at national or EU level.

Such register shall include the following details:

- the identification of the beneficiary,
- the aid amount,
- the granting date,
- the aid instrument, and
- the sector involved on the basis of the statistical classification of economic activities in the Union (‘NACE classification’).

For beneficiaries under GBER, in line with Article 9(1)(c) of the General Block Exemption Regulation, information regarding any individual aid awards that exceed €100,000 is to be made publicly available in the Commission’s transparency award module or on the national State Aid website.

### 8.2 Commemorative Publicity

Permanent commemorative publicity shall be installed, within 1 month from completion of the investment project as follows:

- In a prominent site within the premises that is accessible to the general public, such as reception area
- In any section/area where any financed investment is located and/or affixed to the financed investment in case this is mobile.

Permanent publicity is to be produced as follows:

- **Dimensions:** Proportionate to the size of the operation and legible by passers-by, clients etc. However, the minimum size standard is A4 (0.210m × 0.297m)
- **Suggested background:** Copper, Bronze, Silver, Chrome, or Perspex
- **Fonts and Sizes:** Font in proportion to size of plaque. The beneficiary is to liaise with the Measures and Support Division to determine font type and size.

All logos and emblems can be downloaded from [here](#).



## 9 Durability

It is the beneficiary's responsibility to ensure compliance with the Durability requirements of assisted operations in line with the applicable Guidance Notes and the Grant Agreement, failure of which may result in recovery of funds.

- a) The beneficiary is to retain ownership of fixed assets purchased through EU funds and should ensure that the acquired assets are kept in good working order throughout and after the operation life and for the period as outlined in the applicable Guidance Notes.
- b) If an asset is faulty and/or damaged it should be replaced at the supplier's or the beneficiary's expense – whether under guarantee or not – the replacement must perform the same function and be of the same or higher specifications as the asset being replaced.
- c) If an asset is replaced, both the old and new serial numbers must be retained.
- d) The beneficiary shall ensure that the relevant publicity is present on project site (refer to [Section 8 – Information and Publicity](#)).
- e) In the case of assets purchased through a subscription; evidence of all payments paid throughout the durability period shall be kept.

During the durability period, the IB shall check the operation at least once and shall verify that the operation is not subject to any of the following:

- a) a cessation or transfer of a productive activity outside the programme area (for 2021-2027 operations 'outside the NUTS level 2 region in which it received support')
- b) a change in ownership of an item of infrastructure which gives to a firm or a public body any undue advantage
- c) a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Moreover, during such period beneficiaries will be asked to provide details about financial information (*where this is not available on the MBR*) including but not limited to:

- Turnover generated during the durability years
- Percentage of turnover attributed as a result of the investment
- Gross and Net Profit

Non-compliance to the above could result in the full/partial recovery of the grant as identified in [Section 7.4](#).

## 10 Data Protection

Data and information collected and held by the Measures and Support Division in relation to the financed action will be transferred to the Planning and Priorities Coordination Division and may also be transferred to official third parties in order to fulfil the Measures and Support Division's functions, in line with Community obligations according to law and in line with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) and any amendments thereof.

Information and any data provided by the potential beneficiaries and beneficiary will be used for the sole purpose for which they are intended, that is, (i) verification procedures; and (ii) evaluation and monitoring purposes in line with Regulation (EU) 2021/241. The data will not be used for any other means or for any other purpose that is incompatible with that for which the data is being collected.

In applying for assistance under this scheme, applicants will be giving authorisation to the Measures and Support Division to make enquiries and to carry out the necessary checks with the competent Authorities and Organisations to verify any information submitted in relation to the application.

Beneficiary Undertakings should ensure that they disclose factual and accurate data to the Measures and Support Division. The Beneficiary Undertaking has the right to access all the data relating to the grant issued in its name and may request the rectification of any incorrect data.

## 11 Contact Details

For more information regarding the *SME Enhance*, kindly contact the Measures and Support Division.

Address: Measures and Support Division  
The Oaks Business Centre, Block B  
Farsons Street  
Hamrun HMR1325

Telephone Number: 25552635

Email: [msd.eufunds@gov.mt](mailto:msd.eufunds@gov.mt)

Website: <https://fondi.eu/>

**Annex I – Change in Project Manager Form**



**Change in Project Manager Form**

I, (Name of Authorised Representative), as Authorised Representative on behalf of (Name of Beneficiary) as the Beneficiary, appoint (Name of new Project Manager) holder of ID card No. (ID No.) to the position of Project Manager in the stead of (Name of current Project Manager) for the investment project (Project Reference) effective as of (Date of new appointment).

The new Project Manager holds the position of (Insert Position within Enterprise) within the enterprise and may be contacted on (Insert Phone Number) and (Insert email Address).

Name of Authorised Representative	Signature	Date

Name of New Project Manager	Signature	Date





## Annex III – Claim for Reimbursement – Documentation

The claim for reimbursement shall be accompanied by those documents identified for each sub-activity as per the respective sub-category in section 6.2:

- [Items under the activity Equipment and Machinery \(as identified in Section 2.3\(a\)\)](#)
- [Items under the activity Ancillary Items \(as identified in Section 2.3\(b\)\)](#)
- [Purchasing of Subscription-based Software](#)
- [Lease of Private Operational Premises](#)

together with the following documents:

- Claim for Reimbursement
- Checklist Annex to Claim for Reimbursement
- Progress/Final Implementation Report
- [Beneficiary Financial Identification Form](#) (*only to be submitted with the first advance payment or first claim for reimbursement, as long as same account details are retained*)
- [Supplier Detail Form](#) (*in those cases where bank account details of supplier are not included in the invoice*)
- Copy of [Inventory](#) (*as per provided template*)
- Copy of Separate Ledger Account or Record showing full details of expenditure (*as per [Section 7.2](#)*)
- Copy of warranties (*if applicable*)
- Photographic Evidence (*of procured items; serial numbers and publicity*)
- Compliance Certificate/s issued by the Malta Tax and Customs Administration (MTCA) covering Income Tax, VAT and Final Settlement and of Social Security Contributions Compliance Certificates **issued not earlier than one month from the date** when respective claim for reimbursement is presented to the IB.
- Right of Use of Premises (*leasing agreement, contract or similar*)
- Class of Use permit (through Planning Authority permit)
- Operational License if required (such MTA License) dated prior to the Final Claim for Reimbursement
- Transport Malta License/Logbook (limited to land/sea transport items)
- OHSa report (where applicable)
- Statement signed by Authorized Representative *specifying the following*:
  - (i) The expenditure to implement the action was actually incurred by the Undertaking and was not reimbursed or may be recoverable through other sources;
  - (ii) The expenditure satisfies the conditions that are outlined in the Grant Agreement;
  - (iii) The output (investment) is in place and set in operation within the duration of the project period being the timeline outlined in the Grant Agreement;
  - (iv) The Beneficiary has ensured that any rules governing accumulation of aid have been respected.



The IB may request further documentation where and as necessary and the reimbursement request will only be processed once the IB is satisfied that the reimbursement criteria have been met.



## Annex V – Beneficiary Financial Identification Form



**Financial Identification Form – EU Funds**  
**Formola ta' Identifikazzjoni – Fondi tal-UE**  
 EU Payments Unit



<b>Part I</b>	Name and Surname or Enterprise/Entity Name / Isem u Kunjom jew Isem l-Intrapriża/Entità	
	Company Registration Number and Name <i>[if applicable]</i> / Numru ta' Registrazzjoni Tal-Kumpanija u Isem <i>[jekk applikabbli]</i>	
	Identification Number (ID or Passport) / Numru ta' Identifikazzjoni (ID jew Passaport)	
	Address / Indirizz	
	Town or City / Raħal jew Belt	Post Code / Kodiċi Postali
	Country / Pajjż	Telephone Number or Mobile Number Numru tal-Telefown jew Numru tal-Mowbajl
VAT Reg. Number/ Numru tar-Registrazzjoni tal-VAT	Tax Identification Number <i>[if applicable]</i> / Numru ta' Identifikazzjoni Fiskali <i>[jekk applikabbli]</i>	
Contact Person / Isem tal-Persuna li magħha għandu jsir kuntatt		
e-mail Address <i>[generic]</i> / Indirizz Elettroniku <i>[generiku]</i>		

<b>Part II</b>	Bank Account Holder / Isem tad-Detentur tal-Kont tal-Bank	
	Bank Name / Isem tal-Bank Kummerċjali	
	Branch Address / Indirizz tal-Ferġha tal-Bank Kummerċjali	
	Town/City and Post Code / Raħal /Belt u Kodiċi Postali	
	Country / Pajjż	
International Bank Account Number (IBAN) <i>[compulsory]</i> / Numru Internazzjonali tal-Kont Bankarju (IBAN) <i>[obligatorju]</i>		
Bank Identifier Code (BIC) / Kodiċi ta' Identifikazzjoni tal-Bank (BIC)		

**Part III** I the undersigned declare that all information filled herein and conferred to you is to the best of my knowledge and belief true, correct and complete. I understand and am fully aware that falsification of any information may jeopardise the validity of the payment issued thereon. I further declare that I have read and understood the details given on pages 2/3 of this form, and unless otherwise directed, the above information may be used for future EU related payments.

Jien, hawn taht iffirmat, niddikjara li l-informazzjoni kollha mimlija hawn fuq u mogħtija, hija, sa fejn naf jien, vera, korretta u shiħa. Jiena nifhem, u jiena konxju, illi falsifikazzjoni ta' kwalunkwe tip ta' informazzjoni tista tippenikola l-validità ta' pagamenti mahruġa fuq din l-informazzjoni. Niddikjara wkoll illi jiena qrajt u fhimt id-dettalji mogħtija fit-tieni/tielet pagna ta' din il-formola, u sakemm ma jkunx indikat mod ieħor, l-informazzjoni ta' hawn fuq tista' tintuza għal pagamenti futuri relatati mal-Fondi tal-UE.

Signature of Account Holder  
Firma tad-Detentur tal-Kont

Date / Data

.....

.....  
*[compulsory / obligatorju]*

**Annex VI - Assisted areas designated in Malta's Regional Aid map**

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



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