

SME Diversification and Innovation Grant Scheme Frequently Asked Questions

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The Scheme

What is the scope of this scheme?

This incentive seeks to assist SMEs through non-repayable Grants to part-finance investment to develop focused strategies and implement an investment in favour of diversification; a fundamental change, or towards investment to bring to the market significantly improved and advanced products/services to those already offered by the Undertaking.

How is this scheme administered?

The scheme shall be managed on a demand driven basis through an open rolling call with periodical cut-off dates.

What is a rolling call?

The IB shall issue a public open call (rolling-call) for interested eligible Undertakings to submit their applications. Applications will be assessed and evaluated and eligible applications scoring at least 50% of the selection criteria shall be awarded the grant.

How will grants be allocated?

Grants shall be awarded on a first-come-first served basis subject to budget availability.

How long before the start of a Operation should the Application be submitted?

In determining the earliest start date for activities Applicants are to give due consideration to the fact that 'start of works' may not initiate prior to the award of the grant i.e. signing of the Grant Agreement. Therefore, applicants are to keep in mind that the signing of the Grant Agreement may only take place after the conclusion of the evaluation process of the applications received by the cut-off date.

What State Aid regulation does this scheme fall under?

The terms and conditions of this Grant Scheme are set out in line with Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid.

The Undertaking shall ensure compliance with the rules on cumulation of aid in line with the Commission Regulation (EU) No 1407/2013 of 18 December 2013 and shall ensure that the total amount of *de minimis* aid granted to the single Undertaking shall not exceed EUR 200,000 over any period of three fiscal years.

Applicants must submit a duly filled in *de minimis* declaration form regarding any other *de minimis* aid received during the current fiscal year and the previous two fiscal years with their application.

What defines a Small Operation?

Small Operations means that in cases where the EU funding covers up to €100,000, the operation will be considered as a Small Operation. In such cases, the draft budget² methodology will be applied. The aid intensity for a Small Operation is set at 50% with a maximum grant value of €100,000.

What defines a Large Operation?

Large Operations means that in cases where the EU funding covers more than €100,000, the operation will be considered as a Large Operation. The aid intensity for a Large Operation is set at 50% with a minimum grant value of more than €100,000.

What is a draft budget?

In case of small Operations, the amount indicated in the draft budget will be based on the three (3) quotations compliant with the technical specs set by the applicant that are submitted together with the application covering every item of investment for which support is being requested. Through the draft budget, a lump sum will be determined at Grant Agreement (GA) stage and this amount will be tied to clear outcomes/results that the Operation is to attain in order to guarantee reimbursement.

What should the draft budget include at application stage?

This document should be accompanied by at least three (3) quotations compliant with the technical specs set by the applicant that are submitted together with the application

² For a more detailed explanation please refer to the relevant [Guidance Notes](#).

covering every item of investment for which support is being requested, in line with the set minimum technical specifications, dated within the previous 6 months prior to submission, and obtained from external and unrelated suppliers to the applicant. Quotations are to be supported by documentary evidence from the suppliers (e.g. *manuals/data sheets*) to attest the validity of the identified technical specifications requested. Moreover, the applicant is to submit with the application the set of technical specifications against which quotations were sought. The draft budget is to be based on the average cost of the compliant quotations (**at least 3**) presented with the application for each cost item.

Eligibility

Who is eligible to apply under this scheme?

Micro, Small and Medium-sized Enterprises engaged in an economic activity, irrespective of their legal form, referred to as the 'Undertaking'.

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 (Chap. 16 Laws of Malta).

Which sectors are excluded from this scheme?

Exclusions under this scheme are listed in section 3.2 of the Guidance Notes.

What defines the exclusion 'Energy generation, distribution and infrastructure'?

'*Energy generation, distribution and infrastructure*' refers to the NACE division 35 which is excluded from the regional aid provisions of GBER.

What is a NACE code?

The NACE code is used to classify economic activities. The NACE code is a 4-digit code, the first two digits identify the division, the third digit identifies the group, and the fourth digit identifies the class. When applying the applicant must insert the NACE code to the 4th digit effectively identifying the class of economic activities that are undertaken by the applicant enterprise. In those cases where applicants have more than one activity, the

applicant should check with the Business Register at NSO to be assigned a NACE Code which determines its core business activity. The principal activity of a statistical unit is the activity which contributes most to the total value added of that unit.

What are the eligible costs under this scheme?

The eligible costs under this scheme are:

Small Operations:

- Costs for purchasing of new equipment, machinery, and/or plant

Large Operations:

- Costs for leasing of private operational premises*
- Construction/Up-grading costs*
- Costs for purchasing of new equipment, machinery, and/or plant
- Costs related to essential patents/licences*
- Wage costs related to the wages of a Change Manager**

*(*Each of the identified cost categories is not to exceed 10% of the total eligible expenditure of equipment, machinery, and/or plant of the Operation).*

*(** The grant awarded for this action is capped at €22,500 over a period of 18 months).*

Can a new economic activity be set up through the establishment of a new company that will be performing different economic activities from the applicant Undertaking?

No. The intervention should lead to the diversification of the beneficiary, i.e. the company that applied for assistance.

Are the wage costs related to the wages of a Change Manager limited to certain investment initiatives?

Yes. The Change Manager cost is only applicable to Applicants whose proposed investment addresses one of the following eligible actions in Section 3.1.1:

- The Diversification of the output of an existing establishment into products or services not previously produced by the establishment

- The implementation of a fundamental change in the overall production process of an existing establishment
- A new economic activity related to the diversification of the activity of the establishment, under the condition that the new activity performed is not the same or a similar activity to the activity previously performed in the establishment.

How is the cost category of equipment defined?

The cost category should be defined in line with the applicable accounting standards and will need to be recorded in the fixed asset register accordingly.

Where activities are capped at 10% of the total eligible expenditure of equipment, machinery, and/or plant, how is the 10% to be calculated?

By way of example, if the total eligible expenditure of the Operation cost is €90, the maximum eligible cost that may be considered for the activity would be €9.

What can be considered for match financing?

Match financing has to be from private sources and can be formed either through the Applicant's own financial resources, bank loan, crowd funding, or others.

Do I need to provide evidence for match financing?

Yes. The applicant needs to submit evidence that he/she has already successfully secured the Operation match financing.

What is considered to be evidence of Private Match Financing?

Evidence of Private Match Financing would depend on how the Operation is being Financed. Examples of evidence would be bank statements, certified by a CPA, with an amount that is reflective of the Operation cost in the case of self financing or a letter of intent/sanction letter from the bank if a commercial bank loan will be used to finance the Operation. Such a source may not come from Public Funds be it National or EU Funds.

May assistance under this scheme be provided to undertake investment to bring my operations in line with existing legislative/regulatory requirements?

No.

Are replacement costs considered eligible under the Scheme?

The replacement, re-furbishment of existing assets is not considered eligible.

Are Training Costs in relation to equipment or machinery eligible?

No. Training costs in relation to the use of equipment or machinery is not considered eligible.

Will the scheme reimburse me for expenditure that I have already undertaken?

No. Actions may only be initiated further to the signing of the Grant Agreement.

Where can I get the Income Tax Compliance/ Final Settlement of Social Security Contributions Compliance Certificate/VAT Compliance Certificate from?

Requests for these Compliance Certificates (Income tax, FSS and VAT) are to be addressed to the Office of the Commissioner for Revenue generic email - certificates.cfr@gov.mt

To note that in case of a self-employed taxpayer (with no employees), the Social Security Contributions Compliance Certificate is to be requested for the self-employed accordingly.

How to Apply

In order to apply, one must first register to the online SFD 14-20 application portal, accessible through: www.sfd.gov.mt/application. Steps on how to register and activate your account are provided on screen throughout the process. For more detailed instructions on how to register and fill in the application, one can view the Notes to Applicants document.

Can the Project Manager be a third party?

The Applicant may seek to contract out services in relation to the function of the Project Manager. For the scope of the assisted Operation the Project Manager is considered to form part of the enterprise. In this regard, the enterprise may not seek services or supplies from the Project Manager in relation to the procurement of assisted activities under the Operation.

Must all the necessary permits be in hand before applying?

Yes. All the necessary permits need to be in hand before an application is submitted.

What is the Grant Agreement?

The Grant Agreement (GA) is the formal agreement between the Intermediate Body 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 into the GA with the Applicant. When the IB is satisfied that any conditions have been discharged, it will issue the GA and it will submit two unsigned copies to the Applicant. The Applicant will, by the indicated timeframe, sign and return both copies for counter-signature by the IB and one copy will be sent back to the Applicant. Work on Projects can only start following the signing of the Grant Agreement.

Implementation

How should I approach the procurement process for Large Operations?

In order for the expenditure included in the Grant Agreement to be considered eligible for reimbursement, the beneficiary must demonstrate that the process used to determine the suppliers of goods, works and services for actions part-financed through the European Regional Development Fund 2014 – 2020, under any of the Business Enhance ERDF Grant Schemes, is consistent with the Treaty Principles, namely:

- Equal Treatment;
- Transparency;

- Non-discrimination;
- Mutual Recognition; and
- Proportionality.

It is essential that from the onset and prior to the issuing of the Request for Quotations, the Beneficiary identifies the **minimum technical specifications** required and conducts the necessary market research to ensure that the market can offer the required specifications.

Except in cases where the procurement does not exceed €5,000 (*ex VAT*), and subject to the capping outlined in Section 4.1.1 of the Guidelines for Implementation, the Beneficiary should be in a position to receive **at least three compliant quotations** further to the issuance of the Request for Quotations. Failure to comply with the provisions laid out in the Guidelines for Implementation, the procurement will lead to a financial correction.

Section 4 of the Guidelines for Implementation provides further details including the details to be included in the Request for quotations and the importance of maintaining a clear audit trail.

BUSINESS ENHANCE



Operational Programme I - European Structural and Investment Funds 2014-2020
"Fostering a competitive and sustainable economy to meet our challenges"
Aid Scheme part-financed by the European Regional Development Fund
Co-financing rate: 80% European Union; 20% National Funds

