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SME Digitalisation Grant Scheme 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 to the Beneficiary, being the date of the signing of the Grant Agreement (GA).

Digitalisation Investment means applications under the SME Digitalisation Grant Scheme with the intent of financing hardware, software and digital solutions to improve their efficiency, productivity and customer experience. The maximum funding amount is €50,000 per investment and part-financing eligible expenditure up to 50% for investments in Malta and 60% for investments in Gozo.

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.

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 criteria. The parties have to 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 and Medium-sized Enterprise (SME)** 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 to Articles 107 and 108 of the Treaty, as amended.

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

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

1. **staff headcount** and
2. either **turnover** or **balance sheet total**.

Enterprise category	Staff headcount	Turnover	or	Balance sheet total
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

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 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.

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.

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

Assets refer to **tangible assets** meaning assets consisting of land, buildings and plant, machinery and 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 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, except fishery and aquaculture products listed in Annex I to Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013.

Fishery and Aquaculture sector, are defined as per provisions of Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No 1184/2006 and (EC) No 1224/2009 and repealing Council Regulation (EC) No 104/2000, as amended.

1. Introduction

This document provides information on the SME Digitalisation Grant Scheme and should be read in conjunction with the following documents:

- Notes to Applicants
- 'Guidelines for Implementation - SME Digitalisation Grant Scheme'

These Guidance Notes together with the 'Guidelines for Implementation - SME Digitalisation Grant Scheme' are binding. 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 Measures and Support Division throughout the lifetime of the scheme.

1.1 Management Structure

The Ministry responsible for the management of Union Funds is empowered to perform the tasks related to coordination, management and control of the Recovery and Resilience Plan for Malta. Within the same Ministry, the Planning and Priorities Coordination Division has been designated to ensure the leadership, coordination and overall oversight of this plan. The Measures and Support Division, also within the identified Ministry, is the institution in charge of implementation of investment reform C3-I4 'Rolling out measures to intensify the digitalisation of the private sector'. This management structure is established by Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Malta 11941/21 and supporting Annex ADD 1, by Regulation (EU) 2021/241 and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094.

1.2 Scope

Enterprises in Europe no longer compete just with their neighbours or even other firms in their country but with all competitors on the global market place. It is necessary to always be on top of the latest technologies to provide the best products and to deliver the most rewarding services. Digitalisation investment is needed to achieve such goal. The capability of an enterprise to digitalise by addressing new digital capabilities and digitalised processes is crucial for survival and future business growth. Digitalization opens up new economic opportunities. In addition, digital technologies enable new business models, intelligent work and production processes, more effective customer acquisition and better networking.

This incentive seeks to assist SMEs through non-repayable Grants to part-finance investment to digitalise their operations, and hence improve their resilience, efficiency, productivity and customer experience by addressing new digital capabilities and digitalised processes such as product and process design and engineering, end-to-end procurement, supply chain/distribution and after sales.

As part of the SME Digitalisation Grant Scheme, investments in digital technologies and related processes and implementation are promoted. Investments in hardware, software and other digital solutions are eligible if the content is directly related to the digitalisation investment and/or the funding objectives, i.e. the use of hardware, software and other digital solutions must be combined with new functions or improvements with regard to the existing initial situation of digitalisation in the enterprise.

The measure complies with the 'Do no significant harm' Technical Guidance (2021/C58/01), and shall exclude the following list of activities: (i) activities related to fossil fuels, including downstream use¹; (ii) activities under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks²; (iii) activities related to waste landfills, incinerators³ and mechanical biological treatment plants⁴; and (iv) activities where the long-term disposal of waste may cause harm to the environment.

1.3 Component

This Measure falls under Component 3 '**Fostering a digital, smart and resilient economy**' of '**Malta's Recovery & Resilience Plan**', and addresses the following Investment:

Investment d. Investment grants to intensify the digitalisation of the private sector.

1.4 Duration of the measure

The *SME Digitalisation Grant Scheme* will remain operational until 30 June 2024⁵, subject to availability of funds.

1.5 Budget

The allocated budget for this scheme is set at €5,000,000 with indicative annual thresholds of €2,500,000.

1.6 Open (rolling) Calls

The scheme shall be managed on a demand driven basis. 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. Grants shall be awarded on a first-come-first served basis subject to budget availability.

1.7 Maximum Grant Value and Aid intensity

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. In line with 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 (the *de minimis* Regulation), a single Undertaking may not receive more than €300,000 in *de*

¹ Except projects under this measure in power and/or heat generation, as well as related transmission and distribution infrastructure, using natural gas, that are compliant with the conditions set out in Annex III of the 'Do no significant harm' Technical Guidance (2021/C58/01).

² Where the activity supported achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks an explanation of the reasons why this is not possible should be provided. Benchmarks established for free allocation for activities falling within the scope of the Emissions Trading System, as set out in the Commission Implementing Regulation (EU) 2021/447.

³ This exclusion does not apply to actions under this measure in plants exclusively dedicated to treating non-recyclable hazardous waste, and to existing plants, where the actions under this measure are for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided such actions under this measure do not result in an increase.

⁴ This exclusion does not apply to actions under this measure in existing mechanical biological treatment plants, where the actions under this measure are for the purpose of increasing energy efficiency or retrofitting to recycling operations of separated waste to compost bio-waste and anaerobic digestion of bio-waste, provided such actions under this measure do not result in an increase of the plants' waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

⁵ Duration may be extended subject to compliance with national targets and with the applicable State aid rules.

minimis aid from any public funding (EU Funds and/or any national funds) over a rolling period of three years.

The maximum funding amount is €50,000 per digitalisation investment in digital technologies, part-financing eligible costs up to 50% for investments in Malta and 60% for investments in Gozo.

1.8 Implementation

Digitalisation investments should be concluded within 24 months from the Grant Agreement. 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 2026⁶.

1.9 Regulatory Framework

Malta's Recovery and Resilience Plan

<https://fondi.eu/programme/recovery-and-resilience-plan/>

The Recovery and Resilience Facility as established by Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0241&from=EN>

Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Malta 11941/21 of 28 September 2021

<https://data.consilium.europa.eu/doc/document/ST-11941-2021-INIT/en/pdf>

Technical guidance on the application of “do no significant harm” under the Recovery and Resilience Facility Regulation

https://ec.europa.eu/info/sites/default/files/c2021_1054_en.pdf

Aid will 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>

⁶ This date may be extended subject to compliance with national targets.

2. Description

2.1 Eligible Actions

This Grant Scheme seeks to support digitalisation investment initiatives by SMEs, in several economic sectors, in their digitalisation endeavours and to intensify the digitalisation of operations. Digitalisation is crucial as it can help provide better services and products of higher quality, as well as improve the management of resources to increase efficiency and reach new markets.

The investment shall support enterprises through investments in digital technologies and related processes in the enterprise in particular hardware, software and other digital solutions to improve their efficiency, productivity and customer experience.

The concrete advantages of going digital are many and can help enterprises in different areas of activity, for example:

- digitalising the management system of resources and staff can optimise the way activities and tasks are undertaken, smoothening the work flow and producing long-term benefits;
- using new machines based upon digital technologies can improve the production of goods, both increasing the quality of the finished product and speeding up the process;
- deliver services perfectly tailored to the requests of clients, as all information required can be more easily found and analysed through software and programs;
- reaching out to new potential new customers is much easier thanks to digital marketing and the use of online channels that can identify and communicate to the audience most in need of your business.

2.2 Eligible Expenditure

This Grant Scheme will support eligible enterprises to undertake the following actions:

- e-Commerce Website** (*in line with the terms and conditions identified in Annex I of these Guidance Notes*)
- Digital Solutions⁷** -
 - Commercial Off-The-Shelf (COTS) and Custom Software**
 - Hardware** (*such as Laptops, Docking Station, Port Replicator, Monitors, Tablets*)
 - Analytical Tools** (*including necessary hardware and software*)
 - Cyber Security systems**
 - Cloud computing**
 - Routers, switches and WIFI related equipment**
 - Other hardware and software** (*identified in the application and not already identified above, which the division may consider eligible under this scheme*)
 - Training costs on the use of the specific item acquired under points 1 to 3 above and included in the purchase price of the item in question, and thus from the same provider.**

⁷ For subscription based software, the cost of a 2-year subscription will be considered as the eligible cost item.

The aid value for the identified eligible expenditure shall be reimbursed through the application of Simplified Cost Options (*limited to the e-Commerce website*) or actual cost incurred and paid.

For any actions claimed on the basis of actual costs incurred and paid, Beneficiary Undertakings should ensure that any procurement undertaken for these cost items is carried out in line with the principles of sound financial management, good governance, transparency, and equality, in line with the provisions of the 'Guidelines for Implementation - SME Digitalisation Grant Scheme' issued by the Measures and Support Division together with these Guidance Notes.

Any of the above expenditure are to be procured from external and unrelated sources to the applicant.

Expenditure shall only be considered eligible if it is approved in the Grant Agreement, incurred during the specified project period, the Beneficiary achieves the set indicators as outlined in the Grant Agreement and in line with the 'Guidelines for Implementation - SME Digitalisation Grant Scheme' issued by the Measures and Support Division together with these Guidance Notes.

2.3 Ineligible Expenditure

- a) Costs related to the repair and maintenance of equipment, plant, machinery and buildings, including costs for maintenance agreements.
- b) Tax including Value Added Tax and other duties.
- c) Insurance costs.
- d) Training costs with the exception of costs identified in section 2.2(ii)(h) 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) Cost resulting from deferral of payments to creditors.
- j) Cost related to litigation including resulting claims for damages and fines.
- k) Statutory fines and penalties.
- l) Payments for gifts and donations.
- m) Entertainment (including catering, receptions, etc.)
- n) Depreciation.
- o) Foreign exchange costs and related losses.
- p) Bank charges.
- q) Commissions.
- r) Projects that already exist within the framework of other funding programmes of the European Union.

3. Eligibility

3.1 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.

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).

3.2 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 that have not honoured their obligations further to a Decision by the competent Court in favour of a recovery order issued by the competent authorities responsible for the administration and management of aid schemes co-funded under the European Regional Development Fund - Cohesion Policy Operational Programme I 2014 – 2020.
- iii. Undertakings that have not honoured their obligations further to a recovery order issued by the competent authorities responsible for the administration of aid schemes co-funded under Cohesion Policy 2021-2027 and NextGenerationEU Funds - Recovery and Resilience Facility (RRF).
- iv. Exclusions as per provisions 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
- v. Undertakings whose activities⁸ 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 capability⁹ 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. Actions addressing the processing and marketing of agricultural products in so far as such actions can be considered eligible for funding under the EARDF.

⁸ The principal activities shall be determined according to the NACE code and/or M&A

⁹ Internal capability shall be determined according to the NACE code and/or M&A of related enterprises

- x. Undertakings whose principal activities include the manufacturing, processing and marketing of tobacco and tobacco products.
- xi. 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.
- xii. Gambling and Betting Activities.
- xiii. Investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC.
- xiv. Actions resulting in training and mentoring activities.
- xv. Actions resulting in investment in the decommissioning or the construction of nuclear power stations.
- xvi. 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.
- xvii. Undertakings engaged in an illegal economic activity.
- xviii. Exclusion of activities which do not respect the Do No Significant Harm principle:
 - Activities that lead to significant greenhouse gas emissions including measures related to power and/or heat generation using fossil fuels, as well as related transmission and distribution infrastructure are excluded.
 - Activities that lead to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources, or if it significantly increases the generation, incineration or disposal of waste, or if the long-term disposal of waste may cause significant and long-term environmental harm to the *circular economy*.
 - Investments involving material changes to buildings located in or near biodiversity sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas as well as other protected areas).

3.3 Additional Provisions

- i. The Grant amount is subject to the conditions outlined in these Guidance Notes and the determined thresholds. Moreover, this shall also depend on the application for and the receipt of *de minimis* aid by the single undertaking over any period of three fiscal years. In line with 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, 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. Undertakings are to submit an updated *de minimis* declaration on *de minimis* aid, in line with Commission Regulation 2023/2831.
- iii. Undertakings that have not honoured their obligations, further to a recovery order issued by the competent authorities responsible for the administration and management of aid schemes co-funded under the European Regional Development Fund – Cohesion Policy Operational Programme I 2014-2020, 2021-2027 and NextGenerationEU Funds – Recovery and Resilience Facility (RRF) and in respect of which legal action has been instituted and proceedings are pending or under way before the competent Court, are eligible to apply without prejudice to the assessment and evaluation of their application. However, in the event that the proposed project is selected the Grant Agreement will only be entered into if within 6 months from the date of the notification by the Measures and Support Division to the Undertaking that the Project has been selected such obligations are no longer due either pursuant to a Court Decision or the effective payment of dues.
- iv. The applicant enterprise is in compliance with applicable EU and national legislation and administrative requirements, including fulfilment of fiscal obligations, social security contributions.
- v. Only activities that comply with relevant EU and National environmental legislation may be selected for funding.
- vi. 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.
- vii. Applicants must submit applications for Investments located exclusively in either Malta or Gozo.
- viii. The investment must be maintained by the Undertaking and remain operational for a period of three years following the completion of the project. 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.
- ix. 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.
- x. All assets including ‘Intangible assets’ must be included in the Capital Assets Register.
- xi. 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.

- xii. All supplies and services may only be procured from external sources.
- xiii. Approved projects shall be based and operational in Malta.
- xiv. The Measures and Support Division 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.
- xv. 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.
- xvi. The undertaking 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.

4.0 Applications

4.1 Application Process

The Measures and Support Division shall publicise the call/s through various media 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.

4.2 Submission of Applications

Undertakings 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 and the amount of public funding needed for the investment, 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 Notes to Applicants document and the 'Guidelines for Implementation – Digitalisation'.

4.3 Documents to be submitted with the Application

The following documents need to be submitted as part of the application.

1. **Declaration** – a scanned copy of the signed Declaration Form.
2. **De Minimis Declaration Form** – a declaration by the single Undertaking outlining a breakdown of the *de minimis* aid applied for and granted to the single Undertaking over a period of the three fiscal years from the year of application.
3. **Compliance Certificate/s issued by the Commissioner for Revenue (CfR)** – a certificate/s issued not earlier than three months from the date of the application, by the Office of the Commissioner for Revenue (CfR) covering Income Tax, VAT and Final Settlement and of Social Security Contributions Compliance Certificates.
4. **Audited Financial Statements and/or the Management Accounts** dated within the two financial years prior to the year of submission of the application in relation to the applicant and the linked and partner enterprises. 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).

In the case of 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 for the last two years together with a Profit & Loss Statement certified by a Certified Public Accountant (CPA) 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-employed*) not having the above documentation, a Profit & Loss Account/Income Statement,

Cash Flow Projections and a Balance Sheet/Statement of Assets and Liabilities certified by a CPA is to be provided.

5. Evidence of **Private Match Financing** for the project (*mandatory*)
6. **Supporting Documentation including** NACE code confirmation¹⁰, GANTT Chart or Implementation Schedule and evidence of any market testing conducted in determining the *budgets*¹¹. Any other supporting documentation (*such as preparatory work and correspondence*) that the Applicant deems that would add value to the application.

The Measures and Support Division 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 and application will be considered for evaluation and selection with the next cut-off date following complete submission of the application. 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.

4.4 Acknowledgement

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 6 'Assessment and Selection'. The issuance of the acknowledgement letter does not confer any obligation on the Measures and Support Division to issue the Grant towards the financing of the project. Actions may only be initiated further to the signing of the Grant Agreement.

¹⁰ 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.

¹¹ In the case that the market testing is presented in the form of a BOQ or a certified estimate, it shall include the basic technical specifications.

5. Compliance with Community Policy

5.1 General Principles

It is the responsibility of the Undertaking to ensure compliance with Community Policy, namely:

- Payments of costs under the approved Investment
- State Aid requirements
- Do No Significant Harm Principle

5.2 Payments of costs under the approved Investment

Undertakings should note that Grants awarded for actions under the SME Digitalisation Grant Scheme are public funds. Beneficiary Undertakings should ensure that all cost items to be co-funded through the Grant Scheme is carried out in line with the principles of **sound financial management, good governance, transparency, and equality** together with the provisions of the 'Guidelines for Implementation - SME Digitalisation Grant Scheme' issued by the Measures and Support Division together with these Guidance Notes.

5.3 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.

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

5.4 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.

Assessment of compliance with the DNSH principle for project applications under this scheme is necessary. The assessment follows the methodology set out in 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; sustainable use and protection of water and marine resources; circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems.

In this regard, and for the scope undertaken under this scheme, two of the six environmental objectives, being *climate change mitigation* and *circular economy*, have been identified that require a substantive assessment. Applicants need to indicate that project activities have no or an insignificant foreseeable impact on the environment. It is to be noted that both the

environmental impact of the activity itself and the environmental impact of the products and services provided by that activity throughout their life cycle shall be taken into account, in particular by considering the production, use and end of life of those products and services.

6. 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*) and Selection Criteria by the Project Selection Committee 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.

6.1 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. These will be used at the first stage once an application is submitted. 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 form 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.

6.2 Selection Criteria

Only applications that meet all the requirements of 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 ranked and grants shall be awarded in accordance with the ranking order and subject to budget availability.

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 of the project and efficiency of implementation

Criteria	Definition	Score
Risk Assessment	<p>Ratio of Project value to net assets of Undertaking – 5 Applications will be risk assessed in terms of the ratio of the project’s value to the financial resources of the Undertaking.</p>	15
	<p>Qualitative assessment of the Undertaking – 5 Applications will be risk assessed in relation to the age of the Undertaking, business experience, track record of the management and controlling shareholders.</p>	
	<p>Duration of the Project – 5 Applications will be risk assessed in relation to the proposed duration of the project. The proposed duration of the project will be assessed in relation to the implementation timelines in the respective Guidance Notes, taking into account potential delays in implementation that may stretch the implementation timeline with a potential impact on absorption of funds.</p>	
	<p>Implementation Risks linked to the duration to the project – max 0 (- 5 lowest) This section will carry negative making 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 it is that the project will experience delays and therefore the lower the score.</p>	
Excellence	<p>Quality of the proposed project concept– 5 The Application Form should be of good quality and provide clear information that can be readily understood by those who are not familiar with the project, taking into consideration the current state of digitalisation in the applicant enterprise. Moreover, the proposed project concept should be quite innovative and not 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 form is to evidence that the enterprise has recognised the need to understand new technology and utilise it.</p>	30
	<p>Coherence and Clarity of the Application Form – 10 The evaluation will be assessing the project’s work plan, strategy and quality of the application. High scores will be given to those actions that show high levels of quality and coherence. Marks will be awarded for exceptional quality, and where market research was carried out to prepare a budget breakdown or where quantitative data is provided. It should be</p>	

	<p>noted that hastily prepared applications are likely to fail during the evaluation process.</p> <p>Action seeks to maximise the internationalisation of the Undertaking – 5 The application will be evaluated in terms of the project’s potential to support the Applicant to strengthen its international presence.</p> <p>Action is ambitious and is addressing any identified gaps in the enterprise and/or in the market for the specific sector – 10 The action will be assessed in terms of the extent of identified gaps (both in the enterprise and/or the sector) it addresses.</p> <p><i>Factual and statistical evidence to back up the justification will render the application more robust.</i></p>	
<p>Impact and Sustainability</p>	<p>The return on Investment (ROI) and potential cost reductions – 10 The application will be evaluated in terms of the project’s impact vis-à-vis the future growth of the applicant through the return on investment (ROI). This will be done by dividing the projected increase in turnover by the cost of the machinery. The application will also be evaluated on the potential cost reductions to the operations of the applicant by calculating the difference in the cost to sales ratio.</p> <p>Possible mitigation measures following the investment to avoid negative spill over effects in time of crisis - 5 This criteria assesses how the applicant plans to mitigate the economic and social impact of the coronavirus pandemic or any other crisis and make the enterprise more sustainable, resilient and better prepared for the challenges ahead, thus leading the business to continue operating as usual in times of crisis.</p> <p>The COVID-19 outbreak in early 2020 changed the economic, social and budgetary outlook in the Union and in the world, calling for an urgent and coordinated response. The COVID-19 crisis as well as the previous economic and financial crisis have shown that developing sound, sustainable and resilient enterprises built on strong economic and social structures helps businesses respond more effectively and in a fair and inclusive way to shocks and recover more swiftly from them. A lack of resilience can also lead to negative spill-over effects thereby posing challenges to the enterprise.</p> <p>Impact on improvements in the Undertaking’s business model - 5 The application will be evaluated in terms of the project’s impact on the potential sustainability of the business model.</p>	<p>25</p>

	<p>Enterprises are to identify the benefits of implementing the digital project and the efforts made to innovate and invest in digital transformation so as not to risk being left behind in time of crisis.</p> <p>Effective integration of the Do No Significant Harm Principle – 5 The application will be assessed in relation to the effective integration of the <i>Do No Significant Harm Principle</i>. Project applications are to include an assessment on how the project intends to mitigate 1) Climate change and 2) The circular economy, including waste prevention and recycling.</p>	
<p>Quality and efficiency of implementation</p>	<p>Size of Undertaking – 5 In view of the difficulties encountered by Micro enterprises, proposals submitted by such enterprises will be awarded 5 marks.</p>	<p>30</p>
	<p>Type of Investment – 5 In line with the scope of the scheme, projects that involve investment in a holistic digitalisation investment including multiple interlinked actions will be awarded 5 marks.</p>	
	<p>Quality, readiness and timeliness of the proposed project - 10 Marks will also be awarded for projects that are in an advanced state of readiness, e.g. where Applicants have already prepared the tender dossier or are in possession of the relevant licences/ permits. Evidence of readiness such as the provision of draft tender dossier should be provided.</p>	
	<p>Marks will also be awarded for projects that present an GANTT chart or Implementation Schedule to indicate the timeliness of events of the proposed work.</p> <p>Assessing the risks that might impact the implementation of the project and the probability of these risks happening. The Application Form has to include details with the necessary measures to minimise the risks. The applicant is to demonstrate the capacity to deliver the project and puts in place a contingency plan to compensate for adverse effects on timetable, expenditure and outputs.</p>	
	<p>Management and Control Systems in place including organisation’s structure – 5 The evaluation will be assessing the project’s Management and Control Systems adopted by the Applicant.</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</p>	

	<p>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 complement any organigram or description provided.</p>	
	<p>Level of capacity and allocation of resources towards the project – 5</p> <p>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.</p>	

6.3 Unsuccessful Applications

Unsuccessful applicants will be informed in writing by the Measures and Support Division.

6.4 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 Measures and Support Division.

The Appeals Board shall assess the submitted representations, review the respective applications and notify the Applicant of its decision. The decision of the Appeals Board shall be final.

6.5 Acceptance Letter

The Measures and Support Division 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.

6.6 Grant Agreement

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

7. Monitoring and Reporting

This section outlines in brief the reporting requirements and the reimbursement process, and should be read in conjunction with the 'Guidelines for Implementation - SME Digitalisation Grant Scheme' issued by the Measures and Support Division together with this document.

7.1 Reporting

A periodical 'Progress Report' is 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 7.2 '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 Measures and Support Division shall carry out on-the-spot checks during and after the project implementation timeframe.

Further information regarding the implementation of the project is available in the 'Guidelines for Implementation - SME Digitalisation Grant Scheme'.

7.2 Reimbursement

Beneficiaries may present a claim/s for reimbursement upon completion of the project or of any of the activities¹² identified in the *Priorities and Milestones of Planned Digitalisation Investment* and as accepted in the Grant Agreement.

Claim/s for reimbursement, which is to be submitted together with a Progress Report, may be presented to the Measures and Support Division once the beneficiary has effectively reached the set milestone (therefore implemented the agreed investment and renders it operational). This claim for reimbursement will include 100% of the eligible expenditure, for the chosen cost categories, outlined in the Grant Agreement.

Milestone – Implementation of the cost category in line with the Grant Agreement, investment is in place and operational.

Amount – 100 % of the public support of the eligible Grant amount approved either of the complete project or of the activity¹³ being claimed .

Payment Trigger – Receipt of claim for reimbursement accompanied by a Progress Report from the Beneficiary. Verification by the Measures and Support Division that the investment is in place

¹² e-Commerce Website or Digital Solutions

¹³ ibid

and operational. The Measures and Support Division retains the discretion to request the Beneficiary to present expert reports to substantiate any claim presented, when and as required.

Claims for reimbursement that will be including the expenditure related to the investment should include a statement signed by the **Authorized Representative**, specifying that:

- 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 timelines outlined in the Grant Agreement;
- iv. The Beneficiary has ensured that any rules governing accumulation of aid have been respected.

The claim/s for reimbursement shall include an updated Compliance Certificate/s issued by the Commissioner for Revenue (CfR) 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 Measures and Support Division.

A Financial Identification Form¹⁴ is to be submitted with the first claim submitted. In those cases where the beneficiary requires to amend the details as presented to the Measures and Support Division in this Form, then an updated Financial Identification Form is to be submitted to ensure correct reimbursement.

Each claim for reimbursement will only be processed once the Measures and Support Division is satisfied that the proposed investment has been carried out and is operational and/or the outcome of the investment has been reached, in line with the GA and pertinent regulations, rules and guidelines, following rigorous monitoring and checks.

It is the beneficiary's responsibility to ensure that reimbursement requests, including all the required supporting documentation, are submitted to the Measures and Support Division by not later than 31 March 2026, or on a later date as identified by the Measures and Support Division.

7.3 Retention of Documentation

The Beneficiary has the obligation to retain all related documents for control and audit purposes, for 10 years following the completion of the project. The Beneficiary must also co-operate with the Measures and Support Division and other monitoring and audit bodies entrusted with such functions with respect to the granting of aid under this scheme, for the duration of 10 years in light of audits and other controls.

Further information related to the retention of documentation is available in the 'Guidelines for Implementation - SME Digitalisation Grant Scheme'.

¹⁴ For more details, refer to the 'Guidelines for Implementation – SME Digitalisation Grant Scheme' issued by the Measures and Support Division.

8. Publicity

Beneficiary Undertakings are responsible for ensuring proper visibility of interventions assisted through this Grant Scheme, part-financed by the European Union through the NextGenerationEU Funds.

All communication and publicity measures must acknowledge support from the European Union and the respective Fund in line with Article 34 of Chapter VIII of Regulation (EU) No. 2021/241 of 12 February 2021.

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 Measures and Support Division 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 commemorative plaques and posters affixed throughout the implementation of the project.

Further information related to publicity is available in the 'Guidelines for Implementation - SME Digitalisation Grant Scheme'.

9. 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.

10. Contact Details

For more information regarding the SME Digitalisation Grant Scheme, 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

Website: www.fondi.eu

Annex I – e- Commerce Website Terms and Conditions

General Notes

- To be procured from an external and unrelated Service Provider, registered with the Measures and Support Division
- Reimbursed through a Lump Sum of €4,800 for investments located in Malta and €5,760 for investments located in Gozo in line with the Aid Intensities identified in Section 1.7.

Specifications

The e-Commerce website shall incorporate an online payment gateway and support at least basic analytics as follows:

- a. Design, development, implementation and delivery of an e-commerce website to meet the needs of the beneficiary.
- b. Development, implementation and delivery of all technical elements to enable the function of the website; including a CMS for use to upload content, secure online payment integration, including an online graphical product or service catalogue.
- c. Development, implementation and delivery of all technical elements to allow the successful integration of a payment system including appropriate electronic communication channels.
- d. Integration of appropriate web analytics software to allow SMEs to generate data reports on web traffic to and from the website.
- e. Creation of a design for the website that is in line with the brand identity of the SME.
- f. Registering and hosting of the site on secure servers.

Requirements

- The final e-commerce product shall include acknowledgement to support from EU Funds in line with Article 34 of Chapter VIII of Regulation (EU) No. 2021/241 and in line with the 'Guidelines for Implementation - SME Digitalisation Grant Scheme' issued by the Measures and Support Division.
- On project completion, the beneficiary will provide the Measures and Support Division with an authenticated report, drawn up by the Service Provider, outlining the level of service provided, from a technical perspective and its resultant output in line with these Guidance Notes and outlining adherence to the following mandatory requirements:
 1. Open Web Application Security Project (OWASP) (https://www.owasp.org/index.php/Main_Page)
 2. PCI (Payment Card Industry) Security Standards (www.pcisecuritystandards.org) for online card payment processing.
 3. Data Protection Legislation
 4. An application security audit should be submitted once the site is live, which may be conducted using automated test applications, which would at least include the following requirements:
 - Cross Site Scripting Prevention
 - Injection Flaws
 - Malicious File Execution Attacks

- Insecure Direct Object Reference
- Cross Site Request Forgery
- Information Leakage and Improper Error Handling
- Broken Authentication and Session Management
- Insecure Cryptographic Storage
- Failure to restrict URL access

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