

## INCENTIVE GUIDELINES



*Thematic:*

Research, Development and Innovation

*Regulation:*

*Assistance for Research and Development and Innovation  
Regulations, 2009*

*Title of Incentive:*

### **Preparatory Technical Feasibility Studies**

*This incentive forms part of a group of R&D&I incentives under the measure entitled Assistance for Research and Development and Innovation State aid No N 604/2007.*

Issue Date: 1<sup>st</sup> June 2009

Version: 1.0

[www.maltaenterprise.com](http://www.maltaenterprise.com)

<http://incentives.maltaenterprise.com>

## **CONTENTS**

1.	Introduction.....	3
2.	Eligibility.....	4
3.	Incentive Description .....	5
4.	Application Process.....	7
5.	Evaluation and Assignment of Aid.....	8
6.	Claims.....	9
7.	State Aid Rules and Obligations .....	10
8.	General Conditions .....	11
9.	Contact Details.....	12

# 1. Introduction

---

## 1.1 Scope

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

The objective of this incentive is to support enterprises intending to undertake *Industrial Research* and *Experimental Development* projects in carrying out **Technical Feasibility Studies** in preparation for these projects.

## 1.2 Duration of the incentive

These *Incentive Guidelines* will remain active until 31<sup>st</sup> December, 2013. Malta Enterprise may review, update and amend these *Incentive Guidelines*.

## 1.3 Legal Basis

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

The Legal Notice entitled *Assistance for Research and Development and Innovation Regulations, 2009*, issued under the *Malta Enterprise Act*, provides the legal basis of this incentive.

## 1.4 Designated Authority

This incentive is administered by Malta Enterprise.

## 2. Eligibility

---

### 2.1 Eligible Enterprises

Enterprises that intend to carry out an Industrial Research and Experimental Development project may apply for assistance under this incentive.

### 2.2 Exclusions

Assistance under the incentive cannot be granted to:

- a. to firms in difficulty in the meaning of the *Community Guidelines on State Aid for rescuing and restructuring firms in difficulty, Official Journal C244, 01.10.2004.*
- b. Research organisations<sup>1</sup>;
- c. enterprises controlled or owned by Government

---

<sup>1</sup> A research organisation is:

- an entity such as university or research institute, irrespective of its legal status (organised under public law or private law) or way of financing, whose primary goal is to conduct fundamental research, industrial research or experimental development and to disseminate their results by way of teaching, publication or technology transfer; all profits are reinvested in these activities, the dissemination of their results or teaching; undertakings that can exert influence upon such an entity, in the quality of, for example, shareholders or members, shall enjoy no preferential access to the research capacities of such an entity or to the research results generated by it.

## 3. Incentive Description

---

### 3.1 Details of Incentive

Under this incentive, enterprises may benefit from assistance to carry out **Technical Feasibility Studies** in preparation to industrial research or experimental development activities.

### 3.2 Definitions

The following definitions shall apply:

**1) 'Industrial Research'** means planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components of complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes as covered by 'experimental development' (see below);

**2) 'Experimental Development'** means acquiring, combining, shaping and using of existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services. These may also include, for example, other activities aiming at the conceptual definition, planning and documentation of new products, processes and services. The activities may comprise producing drafts, drawings, plans and other documentation, provided that they are not intended for commercial use.

The development of commercially usable prototypes and pilot projects is also included where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. In case of a subsequent commercial use of demonstration or pilot projects, any revenue generated from such use must be deducted from the eligible costs.

The experimental production and testing of products, processes and services are also eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially.

Experimental development does not include the routine or periodic changes made to products, production lines, manufacturing processes, existing services and other operations in progress, even if such changes may represent improvements.

**3)** For the full **definition of SME**, refer to *Annex I of Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation)*.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

### **3.3 Eligible costs and the applicable aid intensity**

Supported projects shall not exceed 18 months to complete and all eligible costs should be incurred within this timeframe.

#### **3.3.1 Eligible Costs**

The following costs are considered as eligible:

**(A) Personnel costs**

Wages of researchers and technicians, to the extent and for the duration that they are directly engaged in the preparation of the technical feasibility study;

**(B) Subcontracting costs**

The acquisition of services required for the preparation of the technical feasibility study.

**(C) Acquisition of knowledge**

The acquisition of knowledge, including technical consultancies and reports required for the preparation of the technical feasibility study.

#### **3.2.2 Aid Intensity**

Enterprise undertaking preparatory technical feasibility studies may receive up to €50,000 per project. The maximum levels of assistance provided through this incentive are set in the table below.

	<b>Small and Medium Sized Enterprises</b>	<b>Large Enterprises</b>	<b>Maximum Grant</b>
<b>Studies preparatory to Industrial Research activities</b>	75%	65%	€ 50,000
<b>Studies preparatory to Experimental Development activities</b>	50%	40%	

## 4. Application Process

---

Instructions to applicants and application forms may be downloaded from the Malta Enterprise website: <http://incentives.maltaenterprise.com>.

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

- i. to understand the objectives of the incentive;
- ii. by explaining details relevant to this guideline document;
- iii. to address any problems that might be encountered when completing the application.

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

Technical Feasibility Studies  
Malta Enterprise  
Enterprise Centre,  
Industrial Estate,  
San Gwann  
SGN 3000

## 5. Evaluation and Assignment of Aid

---

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

Aid under this incentive is:

- i. subject to pre-approval
- ii. subject to available budgets;
- iii. provided at the discretion of Malta Enterprise.

### 5.1 Evaluation

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

- a. Mandatory Criteria:
  - i. The aim of the study should be to establish the feasibility of a planned industrial research and experimental development project.
  - ii. The proposed study should lead to research that has clear scope and objectives and is of strategic importance to the enterprise.
  - iii. The study should follow recognised methodologies and is carefully planned with clear milestones and deliverables.
- b. The extent (based on a preliminary business case) that the resultant industrial research and experimental development project support the beneficiary's growth in terms of market positioning, investment and employment.  

(Clearly the expected benefits will only be attainable if technical feasibility is confirmed by the study and the enterprise embarks on the R&D project which is successfully completed).
- c. Capacity to implement - applicants that demonstrate the capacity to implement the results of the study will score better. Malta Enterprise will assess the internal human resource compliment (in terms of the number of employees and their skills), knowledge and know-how and also the capacities of the applicant to engage further resources (including financial resources) as may be required.

### 5.2 Notification of results

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

Once a project is approved, a *Letter of Approval* will be issued and will include such terms and conditions as may be set by the Corporation.

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

## 6. Claims

---

An enterprise shall claim any cash grants according to the terms and conditions set out in the *Letter of Approval* issued by Malta Enterprise.

Enterprises benefiting from this incentive will be required to maintain separate accounting information in relation to all costs incurred for the project. Claims for co-funding must be based on the reimbursement of eligible costs and may be submitted annually and at the end of the research project.

### 6.1 Required documentation

All claims must be submitted on the claim form which will be made available by Malta Enterprise. The beneficiary must ensure that the following documentation is submitted along with any other requirement set out in the *Letter of Approval*:

1. A claim made for reimbursement must be accompanied by the following information:
  - a. An original VAT invoice and a receipt (an original fiscal receipt unless a VAT invoice is presented together with a copy of the invoice);
  - b. Proof of payment of the invoice. Copies of the encashed cheques or original bank advice documents showing all payments effected in relation to the claimed costs.
  - c. Supporting documentation such as studies and reports (where applicable);
  - d. In the case of:
    - i. personnel costs the beneficiary must back these claims through the official Final Settlement System FSS forms and time sheets showing the time the person(s) spent directly engaged on the research project.
    - ii. contracted, technical knowledge and patents the beneficiary should demonstrate that this was acquired at its market value.
2. Any reports (technical or otherwise) submitted to Malta Enterprise should be cleared for confidentiality.
3. Claims should be presented as net of VAT (since VAT is NOT an eligible cost).

### 6.2 Grant Payments

Malta Enterprise will only process claims after invoices, reports and any other requested documentation as submitted to Malta Enterprise is checked and approved.

If the final eligible expenditure accounted for is less than the eligible costs budgeted for, the amount to be co-financed will be reduced *pro rata* and will be in line with the approved percentage(s) of co-financing.

In the event that the project does not reach the targets set in the *Letter of Approval*, Malta Enterprise may recover any funds already distributed to the beneficiary.

## 7 State Aid Rules and Obligations

---

### 7.1 State Aid Regime:

The terms and conditions set out in these guidelines are in line with the *Community Framework for State Aid for Research and Development and Innovation OJ C 323 of 30.12.2006* (R&D&I Framework).

[[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c\\_323/c\\_32320061230en00010026.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c_323/c_32320061230en00010026.pdf)]

This incentive forms part of a group of R&D&I incentives under the measure entitled *Assistance for Research and Development and Innovation State aid No N 604/2007*.

### 7.2 Cumulation

The aid ceilings fixed under the *R&D&I Framework* shall apply regardless of whether the support for the aided project is financed entirely from State resources or is partly financed by the Community, except in the specific and limited context of the conditions established for Community funding under the RTD Framework Programmes, adopted respectively in accordance with *Title XVIII of the EC Treaty or Title II of the Euratom Treaty*.

Where the expenditure eligible for aid for R&D&I is eligible in whole or in part for aid for other purposes, the common portion will be subject to the most favourable ceiling under the applicable rules. This limitation does not apply to aid granted in accordance with the Community guidelines on State aid to promote risk capital investments in SME<sup>2</sup>.

Aid for R&D&I shall not be cumulated with *de minimis* support in respect of the same eligible expenses in order to circumvent the maximum aid intensities laid down in the *R&D&I Framework*.

---

<sup>2</sup> OJ C 194, 18.8.2006, p. 2.

## **8. General Conditions**

---

### **8.1 Changes to Approved Assistance**

Any modifications to an approved project must be immediately notified to Malta Enterprise. A written request describing the proposed changes and including comprehensive arguments justifying the changes must be submitted. Malta Enterprise will evaluate the proposed amendments and will inform the applicant in writing of the outcome pursuant to the evaluation. The outcome of such evaluation may lead to any of the following:

- i. A change in the amount of aid and/or activities supported.
- ii. A request for further information on the proposed changes.
- iii. A recommendation to reconsider the proposed amendments.
- iv. An approval of the proposed changes.
- v. A revocation or modification of the *Letter of Approval*.

Failure to notify Malta Enterprise of any changes to the project as approved may result in Malta Enterprise revoking the *Letter of Approval* and claiming back any support received by the beneficiary.

### **8.2 Monitoring**

Successful applicants will be subject to monitoring to ensure that the project is being implemented according to:

- i. the terms and conditions of the *Letter of Approval*;
- ii. these *Incentive Guidelines* and Assistance for R&D&I Regulations 2009;
- iii. any applicable State aid obligations and regulations.

### **8.3 On-Site Visits**

Malta Enterprise may undertake on-site checks during the implementation period in order to verify the implementation of the project, its consistency with the submitted documentation and the actual works carried out.

### **8.4 Sanctions and recovery of aid**

Should Malta Enterprise realise that a project is not progressing according to the terms set in these *Incentive Guidelines* and the *Letter of Approval* Malta Enterprise may amend, modify or revoke the *Letter of Approval*. In the event that the project does not reach the targets set in the *Letter of Approval*, Malta Enterprise may also recover any funds already distributed to the beneficiary.

