

Incentive Guidelines

COVID-19 Export Response Scheme



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1. Introduction

The Covid-19 virus is having a devastating impact on economies the world over. Malta's economy is experiencing unprecedented turmoil, a situation which requires TradeMalta as the country's trade promotion organization to respond with specific assistance. This emergency scheme is aimed at assisting Malta-based enterprises to survive this period.

1.1 Duration of the incentive

This aid scheme terminates on 31st December 2020.

These Incentive Guidelines may be changed and updated periodically.

1.2 Designated Authority

This incentive is administered by TradeMalta Limited (hereinafter referred to as TradeMalta)

1.3 Budget

The budget for this scheme will be part of the approved incentive budget of TradeMalta.

2. Definitions & Eligibility

2.1 Definitions

The following definitions shall apply throughout these guidelines:

2.1.1 Single Undertaking

For the purpose of these Incentive Guidelines, the terminology *single undertaking* shall be defined as per Commission Regulation EU No 1407/2013 of 18 December 2013 on the application of the Treaty on the Functioning of the European Union to *de minimis* aid, 'Single undertaking' includes all undertakings having at least one (1) of the following relationships with each other:

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

Undertakings having any of the relationships referred to in points (a) to (d) of the first subparagraph, through one or more other undertakings, shall also be considered to be a single undertaking. The same regulation states that a group of linked undertakings is considered as one single undertaking for the application of the *de minimis* rule, but those undertakings which have no relationship with each other, except for the fact that each of them has a direct link to the same public body or bodies, are not treated as being linked to each other. The specific situation of undertakings controlled by the same public body or bodies, which may have an independent power of decision, is therefore taken into account.

2.1.2 Small & Medium Sized Enterprises

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

2.1.3 Large Enterprise

A 'Large enterprise' is an undertaking which fulfils the criteria laid down 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 (hereinafter referred to as

the General block exemption Regulation).

2.1.4 Incentive Entitlement Certificate (IEC)

For the purpose of these Incentive Guidelines, an IEC refers to the official letter issued by TradeMalta describing the assistance approved and against which claims for reimbursement can be made.

2.1.5 Franchisor

For the purpose of these Incentive Guidelines, the term *Franchisor* is deemed to be a limited liability company incorporated under the Companies Act Chapter 386 of the Laws of Malta that fulfills all the following criteria:

- a) The *Franchisor* owns trademarks, designs and other intellectual property rights which the company intends to provide to a franchisee to run a franchise location, in return for an agreed-upon fee.
- b) The *Franchisor* has produced a franchising manual (also known as an Operations & Training Manual) that provides a prescriptive guide to potential franchisees, which controls quality, communications and other standards.
- c) The *Franchisor* is not engaged in the re-selling or administering of a franchise business which belongs to third parties.

2.1.6 Brokerage & networking event

For the purpose of these Incentive Guidelines, a *Brokerage or Networking Event* is an event organized by international organizations with the scope of nurturing trade, technology transfers, developing business partnerships, facilitating business collaborations, or linking investor to business ventures such as venture capital pitching and brokerage events. Such events exclude seminars and conferences.

2.1.7 Trade Mission Voucher

Trade Mission Vouchers is a document issued by TradeMalta which may be used by the beneficiary to claim reimbursement of costs related to travelling and accommodation in line with the approved Trade Mission.

2.1.8 Export Development Plan

An *Export Development Plan* is a document that provides a framework for the development of an undertaking's international business. The plan must include analysis, strategies and options relating to:

- i. services or products that are to be exported;
- ii. target markets;

- iii. unique selling propositions of products and services in that target market;
- iv. market entry strategies;
- v. budgets associated;
- vi. human resources and production capacities; and
- vii. management of risks and possible mitigation measures

For the purpose of this support measure, the *Export Development Plan* must cover a minimum period of twelve (12) months and a maximum period of thirty-six (36) months.

2.1.9 International Marketing Plan

International marketing plan has the same meaning of an Export Development Plan.

2.1.10 Trade Promotion Guidelines

Trade Promotion Guidelines refer to the incentive guidelines which TradeMalta administers on a regular basis and details of which are available on the TradeMalta web site (www.trademalta.org)

2.2 Eligibility

An eligible beneficiary must be an undertaking registered as one (1) of the following:

- All undertaking incorporated under the Companies Act Chapter 386 of the Laws of Malta being a partnership or a limited liability company.
- Self-employed persons registered with Jobsplus.
- Co-operatives registered with the Co-operatives Board.

The below are the indicative eligible sectors and activities and their respective NACE code:

B9.1: Support activities for petroleum and natural gas extraction
C: Manufacturing
E38.2: Waste treatment and disposal
E38.3: Materials Recovery
E39: Remediation activities and other waste management activities
F41: Construction of buildings
F42: Civil engineering
F43: Specialised construction activities
J58: Publishing Activities
J59: Motion picture, video and television programme production, sound recording and music publishing activities
J62: Computer programming, consultancy and related activities
J63.1: Data processing, hosting and related activities; web portals
M71: Architectural and engineering activities; technical testing and analysis
M72: Scientific research and development
N77.4: Leasing of intellectual property and similar products, except copyrighted works (Franchise Agreements)
N82.2: Activities of Call Centres
P85.4: Higher Education
P85.5.2 – Cultural Education
P85.5.9: Other education n.e.c.
Q86: Human health activities
R90: Creative Arts and Entertainment Activities

2.3 Exclusions

No support may be provided to:

- Undertakings defaulting on Value Added Tax (VAT), Income Tax, and National Insurance.
- Public entities defined as: “Ministries, Departments, Entities, Authorities, Public Commissions Public Sector Foundations and similar organizations that carry out a public or regulatory function which does not involve the carrying out of an economic activity, whether or not such organizations are established by law”.

Nevertheless, commercial undertakings carrying out exclusively an economic activity in direct competition with third parties and in which Government has a controlling interest are eligible under this scheme.

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- c. Undertakings engaged in activities specifically excluded under the applicable State Aid regulations.
- d. Undertakings whose principal activities fall under Section L 'Real Estate' activities' of the NACE Rev. 2. Undertakings whose principal activities fall under Section K 'Financial and insurance activities' of the NACE Rev. 2.
- e. Manufacturing, trading, or dealing in arms and military equipment.
- f. Gambling and Betting activities.

3. Maximum Aid and applicable Aid Intensity

3.1 Maximum Aid Intensity

The total aid that may be granted to a single undertaking is limited to €25,000 in any calendar year.

3.2 Aid Intensity

TradeMalta may reimburse up to a maximum of 80% of the eligible costs in the case of the first incentive described below, referring to cancelled international trade events, and a maximum of 50% of the eligible costs in the case of the second incentive, referring to digital marketing.

TradeMalta may establish lower aid intensities by economic activity and specifically exclude certain activities from benefiting from this measure. Such capping shall be based on the NACE activity of the undertaking and shall be published on TradeMalta's website.

The total amount of *de minimis* aid granted to a single undertaking shall not exceed the amount of €200,000 (or €100,000 in the case of undertakings performing road freight transport for hire or reward) over any period of three consecutive fiscal years as per 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 *de minimis* Regulation).

4. Supported Actions

The COVID-19 Export Response Scheme supports the actions described below:

4.1 Support to mitigate the impact of cancelled international trade events

An eligible undertaking may be awarded support to recover costs the undertaking would have incurred when an international trade event is cancelled due to the global situation with the COVID-19 epidemic.

4.1.1. The undertaking becomes eligible when:

- a. The participation of the undertaking in the specific trade event would have been approved by TradeMalta in line with its Trade Promotion scheme;
- b. The trade event would have been cancelled due to the global situation with the COVID-19 epidemic; and
- c. The undertaking produces written evidence that the expenses incurred, including deposits on expenses eligible under the Trade Promotion scheme, will not be recoverable through refunds or similar transactions such as insurance.

The support will be provided to undertakings which would have incurred costs as described in 4.1.1 above, when such unrecoverable expenses would refer to an event which was cancelled from the 1st of January 2020. TradeMalta may reimburse up to a maximum of 80% of the eligible costs in the case of expenses incurred as described in 4.1.1 above.

4.1.2 Claims process

Undertakings wishing to benefit from this emergency scheme should provide TradeMalta with:

- i. Proof that the undertaking's participation in the trade event had been approved by TradeMalta in line with its Trade Promotion scheme guidelines
- ii. Proof of payment of deposits or other eligible expenses related to the approved event; and
- iii. Written evidence from organizers and suppliers that the deposit or other eligible expense will not be refunded.

TradeMalta retains the right to do its own verifications to establish whether the investment carried out and lost due to the cancellation of trade events is indeed non recoverable and any assets purchased are not re-usable. TradeMalta will not support specific cost items which are recoverable and re-usable.

The relevant claim form is available from TradeMalta's website on www.trademalta.org.

4.2 Elimination of requirement for beneficiaries to apply at least 3 months before a trade event

Given the situation which is likely to prevail throughout 2020, the requirement in clause A5 of the Trade Promotion Guidelines, where applications for assistance to trade exhibitions could only be entertained if the application reaches TradeMalta at least three months before the event takes place, is hereby being eliminated, for trade events occurring from April to the 31st of December 2020. Enterprises wishing to apply to exhibit in trade fairs in line with Schedule A of the Trade Promotion guidelines can do so even if the trade event is within the three months between the submission of the application and the actual trade event.

4.3 Support for investment in digital marketing

An eligible undertaking may be awarded support to cover costs associated with digital marketing, including advertising on the main search engines and social media platforms.

4.3.1 The eligible undertakings are those defined in section 2.2 above

4.3.2 The eligible costs are the following:

- i. Direct advertising on the main search engines (such as Google Ads or Bing Ads), as long as the expense is targeting an international market;
- ii. Direct advertising on the main social media platforms (such as Facebook or LinkedIn) as long as the expense is targeting an international market;
- iii. Other online platforms with direct digital advertising capabilities such as Taboola, Outbrain, Capterra, Reddit, Quora and others; especially industry and audience specific online platforms.
- iv. The purchasing and / or participation of on-line training courses about digital marketing.
- v. TradeMalta may consider the participation of beneficiaries to on-line trade fairs.

4.3.3 TradeMalta may reimburse up to a maximum of 50% of the eligible cost in this case, capped at a maximum of €10,000 in grant value per individual undertaking.

4.3.4 Application process

The undertaking becomes eligible for this assistance when TradeMalta approves its international marketing plan which outlines the international scope of the campaign, its key objectives, its target outcomes (described in quantitative terms – such as for example number of trials, opening of accounts, sales, engagement with the undertaking etc.) and any associated actions the undertaking would be taking. The scheme funds eligible expenses incurred from the 1st March 2020.

The relevant application forms are available on the TradeMalta web site (www.trademalta.org).

4.3.5 Claims process

In the case of digital marketing activities, each request for reimbursement would require;

- i. Proof of payment of eligible expenses as approved by TradeMalta;
- ii. Proof that the campaign has happened, including web analytic reports, metrics, and dated screen shots. A report on a per website basis will be required and will need to include:

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- Keyword Phrases Targeted (list all below for all phrases targeted if applicable) or other type of targeting (website categories, groups, demographics etc);
- Advert impressions (how many times the advert was shown)
- Cost per click (the cost of each click on the advert:
- Number of conversions (a conversion could be a visitor filling out a form, making a purchase or taking any other type of trackable action)
- Cost per conversion
- Time period covered by above
- Total cost for this keyword phrase targeted / or other targeting

In the case of the purchasing of and /or participation in on-line training courses about digital marketing, undertakings would need to submit proof that the candidates proposed for training attended the digital marketing training.

In both cases, claim forms are available on the TradeMalta web site (www.trademalta.org).

5. State Aid Rules and Obligations

5.1 Applicable state aid

These Incentive Guidelines are in line with the [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 \(the de minimis Regulation\)](#)

The *de minimis* Aid Declaration may be downloaded from <https://www.maltaenterprise.com/sites/default/files/documents/De%20Minimis%20Declaration%20Form%20%2815%20Jan%202020%29.docx>

The total amount of *de minimis* aid granted to a single undertaking shall not exceed the amount of €200,000 (or €100,000 in the case of undertakings performing road freight transport for hire or reward) over any period of three consecutive fiscal years. This period covers the fiscal year concerned as well as the previous two fiscal years. 'Fiscal year' means the fiscal year as used for tax purposes by the undertaking concerned.

The term 'undertaking' includes also all companies in a group (which fall under the direct or indirect ownership or control of the same ultimate parent company) and relevant partner and linked enterprises as defined in Annex I of Commission Regulation (EU) No 651/2014 of 17th June 2014.

This maximum threshold would include all State aid granted under this aid scheme and any other State aid measure granted under the *de minimis* rule including that received from any entity other than TradeMalta. Any *de minimis* aid received in excess of the established threshold will have to be recovered, with interest, from the undertaking receiving the aid. The *de minimis* declaration form must be filled in and submitted together with the application form.

5.2 Applicability of aid

Assistance approved under this aid scheme is NOT:

- a. Aid granted to businesses active in the fishery and aquaculture sector, as covered by Council Regulation (EC) No. 104/2000;
- b. Aid granted to businesses active in the primary production of agricultural products;
- c. Aid granted to businesses active in the sector of processing and marketing of agricultural products, in the following cases:
 - i. 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 businesses concerned;
 - ii. Where the aid is conditional on being partly or entirely passed on to primary producers;
 - iii. Aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity;
- d. Aid contingent upon the use of domestic over imported goods;
- e. Aid for the acquisition of road freight transport vehicles granted to businesses performing road freight transport for hire or reward

Where an undertaking is active in the sectors referred to in points (a), (b) and (c) above as well as in other sectors falling within the scope of the *de minimis* Regulation, TradeMalta will ensure a separation of the activities or distinction of costs. Only those sectors eligible for assistance under the *de minimis* Regulation will be assisted. Activities in the sectors excluded from the scope of the *de minimis* Regulation will not benefit from assistance under this aid scheme.

5.3 Cumulation

In terms of Article 5 of the *de minimis* Regulation, *de minimis* aid granted under this incentive may be cumulated with *de minimis* aid granted in accordance with Commission Regulation (EU) No 360/2012² up to the ceiling laid down in that Regulation. It may be cumulated with *de minimis* aid granted in accordance with other *de minimis* regulations up to the relevant ceiling fixed in terms of these Incentive Guidelines.

De minimis aid approved under this scheme shall not be cumulated with State aid in relation to the same eligible costs, if such cumulation would exceed the highest relevant aid intensity or aid amount fixed in the specific circumstances of each case by a block exemption regulation or a decision adopted by the European Commission.

6. Further information

Further information on this scheme, as well as information and guidance on the filling in of the application form may be obtained by contacting TradeMalta during office hours.

Postal Address: TradeMalta Ltd, The Clock Tower, Level 1, Tigne Point, Sliema.

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Website: www.trademalta.org

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The official incentive guidelines are published on TradeMalta's web site.