

# Procedure for awarding digital solutions grants for small enterprises

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[Amended by the following legal instruments:](#) (show)

The Regulation is established on the basis of § 6(3)(2) and § 22(1)(5) of the Local Government Organisation Act and in accordance with § 30<sup>1</sup>(1) ja § 33 of the Competition Act and § 6(3) and § 26(1)(5) of the Tallinn Statutes.

## Chapter 1 GENERAL PROVISIONS

### § 1. Scope of application

The procedure for awarding grants for digital solutions to small enterprises (hereinafter *the Procedure*) regulates the grants awarded by the Tallinn Strategic Management Office (hereinafter *the Office*) to support enterprises in adopting digital solutions and the use of these grants.

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### § 2. State grant

(1) Digital solutions grants for small businesses (hereafter referred to as 'grants') constitute de minimis aid within the meaning of Commission Regulation (EU) no. 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (EUR-Lex 352, 24.12.2013, pp. 1–8) (hereinafter De Minimis Aid Regulation), according to article 3. The provisions of the De Minimis Aid Regulation and § 33 of the Competition Act apply to the grant.

(2) De minimis aid granted to one applicant may not exceed the de minimis ceiling of EUR 200,000 for three consecutive financial years, together with the aid applied for under this Regulation.

(3) The rules on cumulation of de minimis aid set out in Article 5 (1) of the De Minimis Aid Regulation have to be taken into account when granting de minimis aid.

(4) The provisions of subsection § 49<sup>2</sup> (3) of the Competition Act apply to the grant.

(5) For the purpose of calculating de minimis aid, an enterprise must be linked in accordance with article 2 (2) of the De Minimis Aid Regulation.

(6) This does not apply in the cases provided for in article 1 (1) of the De Minimis Aid Regulation.

(7) The party to whom the grant is given is obliged to keep the documents related to the grant for ten years from the decision on the grant.

(8) The Office must keep the documents related to the grant for ten years as of the last grant given.

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### § 3. The objective of the digital solutions grant and expected results

(1) The objective of the digital solutions grant for small enterprises is to make it easier for Tallinn-based small enterprises to adopt the necessary digital solutions in order to improve the efficacy of their production and service provision activities and consistently increase their competitiveness.

(2) The grant is expected to result in the following changes in the enterprise:

1) faster and easier access to a product or service for customers;

2) better planning opportunities for decision-making in customer care and production or service provision;

3) quicker production and/or delivery and lower cost price of a product or service. More precise planning of production time and materials, fewer working hours spent on providing a service and/or producing a production unit;

4) better quality of a product or service and/or increased value added of a product or service.

### § 4. Terms

The following terms are used in this Regulation:

1) digital solution - software licence or application software (human resources and marketing software, warehouse management system, e-commerce solution, reservation system, etc.) designed to increase the efficiency and competitiveness of the business;

2) digital solution strategy - a document describing the digital solution necessary for the enterprise, the purpose of developing the digital solution and the requirements that the digital

solution must meet;

3) self-financing - the financial contribution of a beneficiary to the eligible expenses. Other non-refundable grants provided by local government, state or European Union institutions or funds are not considered as self-financing;

4) project - a one-off activity or a group of activities linked to achieving the objectives set out in § 3 of the Regulation, for which a grant is requested or used and of which the budget consists of eligible expenses;

5) project duration - the period of use of the grant, as specified in the grant application and the project action plan, during which the eligible costs set out in the project budget are incurred and the activities set out in the project action plan are carried out. The project duration is up to 12 months from the date of application;

6) project action plan - a document attached to the grant application in which the applicant describes the current situation in the company, the company's development needs, the objective of introducing the digital solution, the planned activities, the timetable and the expected results.

The project action plan form shall be approved by the Office;

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7) supplier - an enterprise that develops or sells digital solutions and has significant experience in the development or sale of the digital solution being purchased. If the supplier of the digital solution is also an entrepreneur registered in the Estonian Commercial Register, its last annual report submitted to the Commercial Register must include the provision of the service or sale of the product as an activity;

8) applicant - a company that has submitted an application to the Office;

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9) application - application for the grant and the documents attached. The application form shall be approved by the Office;

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10) field of activity - the field in which the applicant has indicated their principal activity in its last annual report submitted to the Commercial Register;

11) beneficiary - a company whose application has been declared compliant by the Office;

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## **Chapter 2 ELIGIBLE EXPENSES, CONDITIONS FOR THE GRANTING OF AID AND GRANT LIMITS**

### **§ 5. Eligibility of expenses**

(1) Eligible expenses are either one-off, monthly or other regular costs incurred by the enterprise for the acquisition or development of a digital solution not previously used by the enterprise. Eligible costs also include one-off set-up and training costs that are essential for the digital solution to be purchased or developed.

(2) Eligible costs shall be those incurred as a result of a transaction between the applicant and a supplier meeting the conditions set out in § 4(7) of the Procedure.

(3) Eligible expenses cover accrued expenses incurred during the project duration.

(4) If the Office decides to declare the application non-compliant, the expenses incurred and activities planned must be borne by the applicant.

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(5) Eligible expenses shall not include:

1) transactions between persons who are related parties as set out in § 8 of the Income Tax Act;

2) the purchase of software and office software (accounting, word processing, spreadsheet, design, photo editing and presentation software) that support the applicant's company's core functions.

(6) Input VAT is an ineligible expense.

(7) All eligible expenses must be justified, comprehensible and necessary to achieve the objectives of the project. Proof of expenses is provided via invoices and bank transfers (copy of the payment order).

### **§ 6. Conditions for grants and grant limits**

(1) The maximum grant per applicant per calendar year is EUR 6000.

(2) The grant will cover up to 70% of the eligible expenses actually incurred.

(3) A grant will be awarded to one applicant for a maximum of two projects per calendar year.

(4) The project duration indicated in the application may not exceed 12 months. The project duration may be extended as an exception on the basis of a justified application by the applicant.

### **Chapter 3 APPLYING FOR A GRANT AND REQUIREMENTS FOR THE APPLICANT AND THE APPLICATION**

#### **§ 7. Applying**

(1) The Office shall announce the admission of applications. The Office will announce the accepted applications in Päävaleht and on Tallinn's website.

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(2) Applications are submitted via the self-service environment of the Tallinn Project and Operating Support Information System (hereinafter *the TTR*). If the applicant is unable to use the TTR, they must submit the application to the Office as a paper document signed by the representative.

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(3) The Office will suspend the application process when the total amount of accepted grants in a calendar year is equal to the amount provided for the grants to the Office in the city budget that year. Applications submitted after the amount provided for the grants runs out will be rejected and returned to the applicant.

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(4) After the suspension of applications specified in subsection (3) of this section, the acceptance of applications will be continued if additional funds are provided in the city budget for the allocation of the grant.

#### **§ 8. Requirements for the applicant**

(1) A company may apply for a grant if it is registered in the Commercial Register at an address within the administrative territory of Tallinn.

(2) The applicant must meet the following requirements:

1) the applicant has been operating for at least one financial year and submitted at least one annual report to the Commercial Register;

2) the turnover of the applicant for the last 12 months is between EUR 20,000 and EUR 400,000 according to the Tax and Customs Board;

3) The number of the applicant's full-time employees in the last six months must be at least one, as published in the national register;

4) the applicant has paid all national and local taxes and they have no other debts to the City of Tallinn. If the debt is deferred, payments must be made according to the payment schedule. The applicant must have submitted the tax returns required by the Taxation Act and other tax laws;

5) no liquidation, reorganisation or bankruptcy proceedings have been initiated against the applicant and no bankruptcy decision has been made about them;

(3) The Procedure does not apply to an applicant whose most recent annual report submitted to the Commercial Register shows that more than 50% of its sales revenue is derived from the following activities:

1) agriculture, forestry and fishing (Classification of Economic Activities in Estonia (hereinafter EMTAK) 2008, Division A);

2) production of beverages, excl. production of alcohol-free beverages, mineral water and other bottled water (EMTAK 2008, Division C, Subdivision 11, excl. Subdivision 1107);

3) production of tobacco products (EMTAK 2008, Division C, Subdivision 12);

4) wholesale and retail trade (EMTAK 2008, Division G), excl. maintenance and repair of motor vehicles and motorcycles;

5) financing and insurance activities (EMTAK 2008, Division K);

6) real estate activities (EMTAK 2008, Division L);

7) legal operations and accounting (EMTAK 2008, Division M, Subdivision 69); head office activities; management consultancy (EMTAK 2008, Division M, Subdivision 70); marketing (incl. online marketing) and market research (EMTAK 2008, Division M, Subdivision 73);

8) rental and operating leases and rental of temporary labour force (EMTAK 2008, Division N, Subdivision 77 and EMTAK 2008, Division N, Subdivision 782);

9) organisation of gambling and betting (EMTAK 2008, Division R, Subdivision 92).

#### **§ 9. Obligations of the applicant**

The applicant is obliged to:

1) submit, at the request of the Office, additional information and documents concerning the

applicant and the application in the required form and within the required time limit;

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2) enable the Office to verify the accuracy of the information submitted by the applicant and the compliance of the applicant and the application with the requirements;

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3) inform the Office immediately in writing in a reproducible format if the information submitted in the application has changed or circumstances have become apparent which affect or may affect the Office or the applicant when carrying out its duties;

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4) inform the Office immediately in writing in a reproducible format if there is a justified need to modify the project action plan and the timeframe for the implementation of the project;

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5) provide, at the request of the Office, within 12 months of the approval of the final report, information on the progress and results of the activities planned in the project action plan;

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6) comply with other obligations provided by legislation and provide the Office with information that may affect the decision on the application.

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#### **§ 10. Requirements for the application**

(1) The project described in the application must comply with the purpose of the grant provided for in § 3 of the Regulation. The activities and planned expenses described in the application and the accompanying project action plan must be reasonable, justified and necessary to achieve the objectives set.

(2) The application must meet the following requirements:

- 1) the grant is requested only for eligible expenses;
- 2) the amount applied for does not exceed the grant limit;
- 3) self-financing covers at least 30% of the eligible expenses of the project.

(3) The application must include the following information:

- 1) name of applicant's business, Commercial Register code, VAT number, postal address, telephone number, e-mail address, bank details and the name and contact details of the representative;
- 2) the budget for the project by type of expenditure, the purpose for which the grant is to be used and sources of funding.

(4) The following documents must be submitted with the application:

1) the project action plan, in which the applicant gives an overview of the current situation in the enterprise and describes the implementation or development objectives of a digital solution, planned activities, a timetable for the activities and expected results. The activities described and the planned expenses must be reasonable, justified and necessary to improve the applicant's competitiveness. Information must be provided on how the implementation of the project will contribute to the achievement of the objective and results set out in § 3 of the Procedure. The project action plan form shall be approved by the Office;

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2) outline for the development of a digital solution strategy (if a grant is requested for the development of a digital solution);

3) a list of price quotations for the eligible expenses mentioned in the project budget, drawn up no more than three months before the submission of the application. If the total amount of the eligible expenses, excluding VAT, submitted in a single quotation is equal to or more than EUR 5000, a comparison of quotations must be provided, comprising at least three independent and comparable quotations. In the absence of such an option, or if the most cost-effective quotation is not chosen, a justification must be provided.

(5) The applicant must provide the relevant information in the project action plan if they have applied for a grant for the project or part of the project activities from several measures or other state budgets, the European Union or a foreign aid instrument. Other non-refundable grants provided by local government, state or European Union institutions or funds may not be used to cover eligible expenses presented in the project budget.

## **Chapter 4 PROCESSING OF APPLICATIONS**

### **§ 11. Processing of applications**

(1) If the application is not clear enough or has other shortcomings, the Office may request the applicant to provide additional information or for them to remedy the shortcomings in the application. The Office will inform the applicant on what information needs to be clarified or added to and sets a deadline for remedying shortcomings. If the shortcomings are not remedied by the deadline, the Office may reject the application.

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(2) The Office will decide on the compliance of the applicant and the application with regard to the requirements set out in the Procedure within 30 days of the submission of a valid application.

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(3) The Office has the right to involve industry experts in the examination of the application.

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(4) The Office will suspend the application process when the total amount for accepted grants in a calendar year is equal to the amount provided for the grants to the Office in the city budget that year. Compliant applications received before the suspension will be eligible for the amount provided in the city budget in the order the applications were received. Applications submitted after the amount provided for the grants runs out will be rejected and returned to the applicant.

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(5) The Office will forward the decision to declare the application compliant or non-compliant to the applicant via TTR within five working days as of the making of the decision. The decision will be deemed delivered one working day after it was sent.

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## **Chapter 5 DISBURSEMENT, REPORTING AND MONITORING OF THE GRANT**

### **§ 12. Reporting and disbursement of the grant**

(1) Grants are paid in one or two instalments. The beneficiary must submit a separate application in order for the grant to be paid in two instalments.

(2) If the grant is paid in one instalment, the beneficiary shall submit a final report to the TTR within 60 calendar days of the end of the project duration.

(3) In the case of a payment made in two instalments, the beneficiary shall submit:

1) documents proving the incurrence of at least 50% of the eligible expenses of the project (invoices and payment orders or copies thereof) to the Office and an interim report to the TTR in order to receive the first instalment;

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2) final report to the TTR within 60 calendar days after the end of the project duration in order to receive the second instalment.

(4) The final report must be accompanied by documents certifying the incurrence of any eligible expenses not previously submitted. The final report shall describe the attainment of the objectives of the adoption of a digital solution, activities performed, the timetable and results achieved.

(5) If the beneficiary is unable to use the TTR, they must submit the application to the Office as a paper document signed by the representative.

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(6) The interim and final report forms shall be approved by the Office.

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(7) The Office will review the interim or final report and expenditure documents. The reviewed and compliant interim or final report is approved by the Office. The amount of the grant to be disbursed depends on the application, the decision declaring the compliance of the application and the documents enclosed with the expense report that prove that eligible expenses were incurred.

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(8) The grant will be transferred to the beneficiary's bank account as follows:

1) a single instalment grant shall be paid within 21 calendar days of the examination of the expenditure documents and approval of the final report;

2) the first instalment of a grant paid in two instalments shall be paid within 21 calendar days of the Office's examination of the eligible expenditure documents and approval of the interim report, and the second instalment shall be paid within 21 calendar days of the examination of the expenditure documents and approval of the final report.

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(9) Up to 70% of all eligible expenses incurred will be reimbursed.

(10) No advance payments shall be made to the beneficiary.

(11) The Office has the right to request additional information on the progress and results of the activities planned in the project action plan within 12 months of the approval of the final report.

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(12) If the beneficiary fails to submit the final report by the deadline or if it becomes apparent after the application is declared compliant that the beneficiary does not actually meet the necessary requirements, the Office will revoke the decision to declare the application compliant and notify the applicant immediately.

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(13) At any time, the Office has the right to check the use of the grant and to request the beneficiary provide additional information and documents on the circumstances of the project and the use of the grant.

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### **§ 13. Monitoring the use of the grant**

(1) The Office monitors the use of the grant.

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(2) The Office will check that the grant has been used for its intended purpose on the basis of the application submitted and the interim or final report and, if necessary, request additional information.

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(3) If the beneficiary has submitted false information, used the grant for unintended purposes or violated other conditions provided for in the Regulation, the Office has the right to submit a claim within three years of the making of the decision for the beneficiary to return the grant in full.

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(4) If the applicant has submitted false information to the Office, they will not be able to apply for the grant for three years after the submission of the false information.

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(5) After the payment of the grant, the Office has the right to publish the name of the beneficiary, the field of activity, the amount of the grant and intended purpose on the Tallinn website.

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## **Chapter 6 IMPLEMENTATION PROVISIONS**

### **§ 14. Amendments to the Regulation**

(1) [Excluded from this document.]

(2) [Excluded from this document.]

(3) [Excluded from this document.]

(4) § 14(1)(8) and § 14(2)(2) of the Regulation shall apply retroactively from 12 March 2020.