

/ STATE AID: OUR EXPERTISE & EXPERIENCE

Romania FDI & Greenfield 2016 Exclusive Roundtable

31 May 2016

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/ Key Points

▶ Facts

▶ Overview State Aid Schemes in Romania

▶ Reliable financial mechanism

▶ Different types of investors

/ State Aid Schemes Valid until 2020

Description	Investments in Assets	Investments in Salary Costs
Total Budget	EUR 925 million	EUR 600 million
Initial investment million EUR	> 10	-
New FTEs	-	10 employees
Scheme period	2014 – 2020	2014 – 2020
Implementation period	2015 – 2023	2015 – 2025
No. of approved projects until December 2015	9	19
Absorbtion rate in 2015 budget	98,5%	16,75%
Absorbtion rate in 2015 – 2020 budget	10,6%	2,8%

Authority responsible for state aid schemes: Ministry of Public Finances in Bucharest

/ Scheme for Assets

- 1 **Minimum:** 10 million EUR Investment
- 2 **Period of the scheme:** 2014 – 2020
- 3 **Implementation period:** 2015 – 2023
- 4 **Eligible industries:** all sectors with some exceptions (to be discussed)
- 5 **Eligible costs:** acquisition/production of assets and rent expenses for investment construction
- 6 **Intensity:** 15%/10% for Bucharest , 35% for West and Ifov Region, 50% for other Regions

/ Scheme for Salary Costs

1

Minimum: 10 new working places

2

Period of the scheme: 2014 – 2020

3

Implementation period: 2015 – 2025

4

Eligible industries: all sectors with some exceptions (to be discussed)

5

Eligible costs: net salary and all related taxes for a period of 2 consecutive years

6

Intensity: 15%/10% for Bucharest, 35%for West and Ifov Region, 50% for other Regions

/ Update of State Aid Schemes

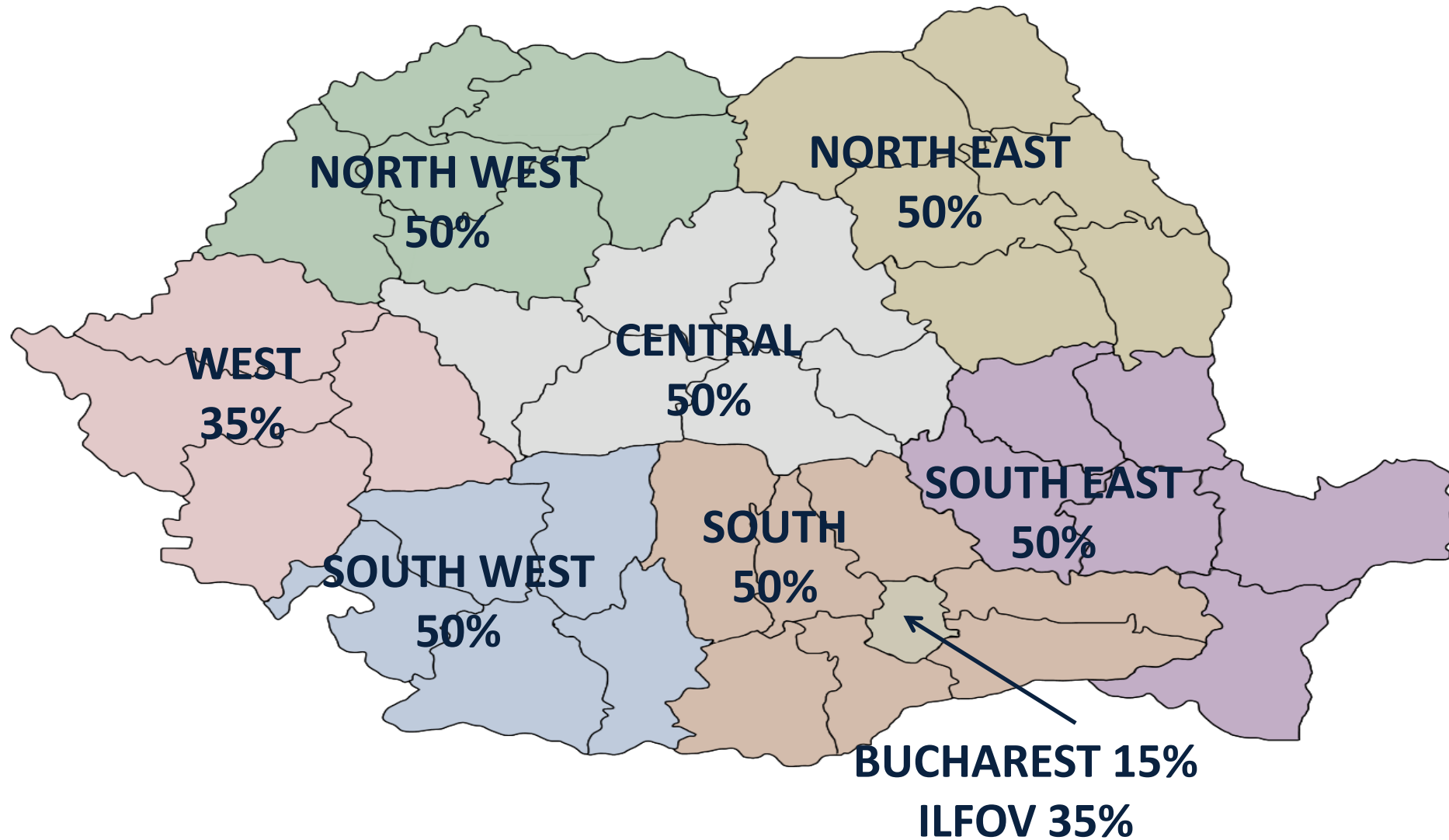
State Aid for assets

- Budget increased by 40% until EUR 925 million
- Annual budget of EUR 145 million
- Windows for application announced in advance instead of continuous application period
- First call for 2016 will be undergoing between: **11 July – 22 August**
- Ranking criteria introduced
 - Value of investment
 - Type of project
 - Greenfield
 - Extension
 - Diversification
 - Overall production process change
 - Location
 - Return on turnover

State aid for employees

- Windows for application of 10 days announced in advance
- 2 payment requests per year instead of 4
- First call for 2016 will be undergoing between:
30 May – 10 June
- Every new working place has to be maintained for 3/5 years
- The project must start in maximum 6 months since signing the financing approval
- New eligible applicants
 - Cooperative units

/ State Aid Intensity (% from Eligible Costs)



/ State Aid for Assets Investment

Scheme Period: 2014-2020

Eligibility Criteria

- New investment project with a value of min. EUR 10 Million
- Tax benefits to be generated by the project for the period 2017-2023 (2 years of investment + 5 monitoring period) should be higher than total state aid received
- Most of the tangible and intangible assets will be financed
- Rent expenses are also eligible
- The project cannot start before having the Financing Approval from authorities

State Aid Opportunity

Investment value	Location/Intensity (%)	State Aid million EUR
10	Most of Romania 50%	5
15	Most of Romania 50%	7,5
20	Most of Romania 50%	10
40	Most of Romania 50%	20

Actual Status of the Scheme

- State aid = non-reimbursable cash up to 50% of the invested value
- Call for placing applications:
 - 2016 – August/September
 - 2017 – beginning of the year

/ Practical Tips & Tricks | 1

▶ **Timing:** Investment cannot start before Financing Approval
Start of investment = placing orders, concluding contracts, start of building etc.

▶ **Planning:** Actions allowed before Financing approval
(e.g. land acquisition, authorizations, building design and layouts)

▶ **Investment location:** Important decision for State Aid intensity & hiring plan

▶ **Sound & safe business model**
Deviations from initial planning

/ Practical Tips & Tricks | 2

- ▶ **Planning:** Insufficient resources allocated for preparation of the application
Unrealistic expectations of the company & lack of flexibility towards presenting information

- ▶ **Turnover supporting documents:** contracts, nomination letters, letters of intention, orders, etc.

- ▶ **Lack of details with respect to CAPEX investment** (offers, second hand equipment & prices)
Efficient and affective procurement policy should exist

- ▶ **Insufficient focus on preparing reimbursement document**

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- Financial Audit
- Fraud Investigation
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