

## Tax Alert

Calls for grant applications -  
Cash grant for companies  
engaged in production and R&D



# Calls for grant applications - Cash grant for companies engaged in production and R&D

**The current issue of our newsletter describes some grant opportunities for companies primarily engaged in production, R&D and service activities. The non-refundable grants could provide cash for eligible companies to realize R&D, CAPEX and infrastructure development projects planned for years 2011-2013.**

The first part of the newsletter focuses on newly announced calls for application for market-oriented R&D projects and industrial infrastructure development projects. The second part looks at three calls for grant application which are available for some time and promote complex technology development, job creation and business innovation. Qualifying large companies can obtain non-refundable grants to support their projects.

## **New grant schemes for large companies**

### **Grants for market-oriented R&D projects (GOP-2011-1.1.1)**

The goal of this call for grant application is to support R&D activities aimed at the creation of new, marketable products, services and technologies with significant added intellectual value, or their prototypes.

#### **Eligible costs**

The employee costs (with certain limitations), costs of assets purchased, intangible assets, services and materials used in connection with the R&D activity may be accounted for under the scheme.

#### **Project site**

The project site must be the registered Hungarian office, site or branch of the applicant. Only projects outside Budapest and Pest county are eligible for support under the calls for grant application.

#### **Grant amount**

The grant can cover up to 65% of the total eligible projects costs (HUF 40- HUF 500 million).

## Obligations of applicant

The applicant must undertake the following obligations to obtain a grant:

- The applicant agrees that the annual average statistical headcount may not go below the base headcount in the two business years immediately following the year in which the project is completed (the base headcount is the annual average statistical headcount for the year preceding the year the application is submitted (i.e. 2010));
- The applicant need to increase annual employee costs by 5% of the grant **or** by 5% compared to the base year in the two business years immediately following the year in which the project is completed;
- The applicant undertakes to present the successfully developed prototype, new product, service or technology at an international fair, exhibition or conference with at least 100 participating companies/organisations from at least five countries before the end of the project maintenance period; and

Furthermore the applicant undertakes to maintain and operate the capacities and IT development in the relevant region under the call for grant application by the end of the fifth year (the third year in the case of small and medium-size enterprises (SMEs)) following the completion of the project. The maintenance obligation for a research organisation is three years following the year the project is completed.

## Evaluation criteria

The following – partly subjective – factors will be considered during the evaluation of the application:

- The R&D potential of the project;
- The scientific and technical innovation and the relevant target groups of the project;
- The extent to which research centres are involved;
- Whether a patent is involved;
- The number of R&D jobs created;
- The sectors in which the R&D results of the project can be used;
- The employment value of the project; and
- Whether the project is related to the priorities defined in the new Széchenyi plan.

## Application

Applications must be submitted between 1 August 2011 and 31 December 2011.

## Industry development (DAOP-1.1.1./D-11, DDOP-1.1.1./E-11, ÉAOP-1.1.1./E-11, ÉMOP-1.1.1./B-11, NYDOP-1.3.1./E-11)

The aim of the call for grant application is to support infrastructure aspects of production and service companies already operating or moving to the given region and creating jobs in different regions of Hungary.

### Eligible costs

Project preparation and implementation costs (costs of building, renovation, reconstruction and basic infrastructure construction) may be accounted for under the call for grant application.

### Project site

The development must be implemented in the region specified in the application scheme. Only construction projects outside Budapest and Pest county are eligible for grant.

The project may be implemented only within the project site, except with respect to basic infrastructure costs outside the site (e.g. connection of internal roads to public roads, development of wastewater mains to extend the site's waste water capacity and network development) that directly and exclusively support infrastructure development on the site.

### Grant amount

The proportion of the grant available under the call for grant application is the lower of the following two alternatives:

- A maximum of 30% of total eligible project costs in the West-Trans-Danubia region (40% for micro-, small- and medium-sized enterprises) and a maximum of 50% in the South Great Plain and South Trans-Danubia, the North Great Plain and North Hungary; or
- The amount of the grant available on the basis of commitments undertaken by the applicant (number of jobs in the implementation and maintenance periods; revenue in the maintenance period; business intensity; industry).

The grant may be between HUF 100 million and HUF 1 billion.

### Obligations of applicant

The applicant must agree that in the three calendar years immediately following the year in which the project is completed, the annual average headcount in the entire company will not go below the number of the base headcount, plus the new jobs created (taking into account all partner and affiliated companies active in Hungary).

The applicant must create at least 20 jobs.

## Evaluation criteria

In evaluating the application, the authorities will look at the financial data of the most recent, prior year or both years' closed financial statements of the applicant, as well as indicators calculated on the basis of project parameters, which must be above a certain pre-defined level.

## Application

Applications may be submitted from 30 June 2011 to 30 December 2011.

## Previously announced but still open schemes for large companies

### Complex technology development and job creation (GOP-2011-2.1.3)

This call for grant application is primarily aimed at supporting complex construction projects with the notable effect of retaining or creating jobs.

## Eligible costs

The following items are eligible for regional investment aid or de minimis aid under the call for grant application:

- 18-month wage costs, plus the social taxes of new workplaces created in the first year of the project realizations;
- Purchase costs of new tangible assets;
- Costs of infrastructure and real estate construction projects;
- IT development;
- Payments for production licenses and know-how related to asset purchases;
- Expenses incurred for promoting market entry;
- HR development;
- Consultancy costs and
- Implementation of quality and other management systems.

## Project site

The project site must be the registered Hungarian office, site or branch of the applicant. The implementation site must be registered by the time the application is submitted. Only construction projects outside Budapest and Pest county are eligible.

## Grant amount

The grant amount available under the scheme is up to 35% of the total eligible project costs (HUF 100 million - HUF 1 billion). The exact amount will be calculated with a special algorithm that weighs the implementation site,

the amount and composition of eligible costs and the number of retained and/or created jobs, as well as the size of the company, as key factors.

### Obligations of applicant

The applicant must undertake either the first and the second or the third criteria, OR the first and the fourth criteria:

- The annual average statistical headcount may not go below the base headcount in two business years immediately following the year in which the project is completed; and
- Increase annual employee costs by 5% of the grant compared to the base year (business year preceding the submission of the application) in the two business years immediately following the year in which the project is completed; or
- Increase annual employee costs by 5% compared to the base year (business year preceding the submission of the application) in the two business years immediately following the year in which the project is completed;
- If the applicant undertakes to create new jobs under the project, these jobs are retained in the maintenance period as a net increment compared to the base headcount.

### Evaluation criteria

Compliance with the above criteria and availability of funds (which are running out quickly) are the key conditions to benefit from the grant.

### Application

Applications may be submitted as from 1 March 2011 or until the budget is depleted, but until 31 December 2011 at the latest.

### Funding for complex technology innovation of companies (GOP-2011-1.3.1/A, KMOP-2011-1.1.4/A)

This call for grant application promotes the technological innovation activities of companies (including innovative suppliers) that undertake to further develop existing marketable products (including components and/or parts), services and technologies.

### Project site

The project site must be the registered Hungarian office, site or branch of the applicant. The implementation site must be registered by the time the application is submitted.

### Grant amount

The maximum grant is 45% of the total eligible project costs (HUF 15 to HUF 500 million).

## Eligible costs

The following costs of experimental research qualify as R&D project funding (the costs must be part of the project):

- Wage cost and related contributions of researchers and developers;
- Purchases of tangible and intangible assets related to the research project; and
- Material costs incurred on the research project.

The following costs qualify as regional investment funding:

- Asset purchases in the case of start-up investments;
- Infrastructure and real estate investments relating to a GOP-2011-1.3.1/A application;
- IT development; and
- A production license and know-how related to asset purchases.

De minimis support may be granted for market entry and patent related costs.

## Obligations of the applicant

The applicant must undertake the following:

- That the total increase in revenue compared to the base revenue will reach 30% of the grant in the two consecutive business years following the year in which the project is completed.
- The annual average statistical headcount may not go below the base headcount in the two consecutive business years following the year in which the project is implemented.
- To maintain and operate the capacities and IT development in the relevant region by the end of the fifth year (the third year in the case of a SME) following the year the project is completed.

## Evaluation criteria

The financial data of the most recent closed financial statements of the applicant and indicators calculated on the basis of project parameters, as well as the applicant's innovation potential, are taken into account in evaluating the application. Based on the above criteria, eligible projects must reach a minimum total score of 50.

## Application

Applications may be submitted between 1 March 2011 and 31 December 2011.

# Contact

If you have any questions or comments concerning the above,  
please contact one of our tax experts below:

## **Dr. Attila Kövesdy**

Partner in Charge

Tel : +36-1-428-6800

Email : [akovesdy@deloitteCE.com](mailto:akovesdy@deloitteCE.com)

## **István Veszprémi**

Partner

Tel : +36-1-428-6800

Email : [iveszpremi@deloitteCE.com](mailto:iveszpremi@deloitteCE.com)

## **Dr. Eszter Gyuricsku**

Director

Tel : +36-1-428-6800

Email : [egyuricsku@deloitteCE.com](mailto:egyuricsku@deloitteCE.com)

## **Tamás Knébel**

Director

Tel : +36-1-428-6800

Email : [tknebel@deloitteCE.com](mailto:tknebel@deloitteCE.com)

## **Dr. Csaba Márkus**

Director

Tel : +36-1-428-6800

Email : [csmarkus@deloitteCE.com](mailto:csmarkus@deloitteCE.com)

## **Péter Gémesi**

Director

Tel : +36-1-428-6800

Email : [pgemesi@deloitteCE.com](mailto:pgemesi@deloitteCE.com)

These materials and the information contained herein are provided by the Deloitte Hungary and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

Accordingly, the information in these materials is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

These materials and the information contained therein are provided as is, and Deloitte Hungary makes no express or implied representations or warranties regarding these materials or the information contained therein. Without limiting the foregoing, Deloitte Hungary does not warrant that the materials or information contained therein will be error-free or will meet any particular criteria of performance or quality. Deloitte Hungary expressly disclaims all implied warranties, including, without limitation, warranties of merchantability, title, fitness for a particular purpose, non-infringement, compatibility, security, and accuracy.

Your use of these materials and information contained therein is at your own risk, and you assume full responsibility and risk of loss resulting from the use thereof. Deloitte Hungary will not be liable for any special, indirect, incidental, consequential, or punitive damages or any other damages whatsoever, whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, relating to the use of these materials or the information contained therein.

If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

Deloitte provides audit, tax, consulting, financial advisory, enterprise risk and legal services (legal services to clients are provided by cooperating law firm Ember and Szarvas Law Firm) risk services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 170,000 professionals are committed to becoming the standard of excellence.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.hu/about\\_us](http://www.deloitte.hu/about_us) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.