

# Breaking Tax News

## Cash grant based on individual government decision

In contrast to our monthly Tax News+, in our Breaking Tax news you will be informed immediately of regulatory changes affecting your business but without commentary by our experts.

Based on a recent government decree (“**Cash grant based on individual government decision**”) effective as of 28 August 2014 **applications may once again be submitted for Cash grants**).

In our newsletter we have summarized the most relevant rules regarding the grant application in addition to the most significant changes in comparison to the previous regulation applicable to Cash grants.

Below, please find the table illustrating the minimum amount of eligible costs for each statistical region, investment type and company size:

Investment location (region)	Minimum amount of eligible costs (current value)	
<b>Northern Hungary, Northern Great Plain, Southern Great Plain, Southern Transdanubia</b>	Both for initial investment and initial investment for job creation: EUR 10 million	
<b>Central Transdanubia, Western Transdanubia</b>	Initial investment: EUR 20 million, initial investment for job creation: EUR 10 million	
<b>Eligible settlements of the Central Hungary region</b>	<b>For SMEs:</b> <ul style="list-style-type: none"> <li>Initial investment: EUR 20 million</li> <li>Initial investment for job creation: EUR 10 million</li> </ul>	<b>For large companies:</b> <ul style="list-style-type: none"> <li>Initial investment (available only in favour of new economic activity): EUR 20 million</li> <li>Initial investment for job creation (available only in favour of new economic activity): EUR 10 million</li> </ul>

The term “initial investment in favour of new economic activity” refers to an investment in tangible and intangible assets related to the setting up of a new establishment, or to the diversification of the activity of an establishment, under the condition that the new activity is not the same or a similar activity to the activity previously performed in the establishment (the acquisition of the assets meeting the conditions qualify as the same).

With reference to Cash grants only those costs are eligible which are incurred after the receipt of the written confirmation of the application. The eligible costs are either the investment costs in tangible and intangible assets or the estimated wage costs arising from jobs created as a result of the investment. The jobs must be created within 3 years from the start of the date of the investment. The wage costs must be calculated over a period of 24 months.

As a result of the modifications to the regional aid map the grant will no longer be available to large companies in Budapest and a number of settlements in Pest county (Central Hungary). However in some settlements in Pest county the aid intensity (the amount of available aid expressed as a percent of the total amount of the eligible costs) was raised to 35%. In other settlements in Pest county the aid intensity is set at 20%. Further in Northern Hungarian, the Northern Great Plain, Southern Great Plain and in Southern Transdanubian regions the aid intensity rate is set at 50% while in Central Transdanubia the rate is 35% and in Western Transdanubia it is set at 25%.

In order to be eligible for Cash grants the investor is obliged to create a certain number of new jobs: in Northern Hungary, the Northern Great Plain, the Southern Great Plain, and Southern Transdanubia the required number is set at 50. Further in Central Transdanubia, Western Transdanubia and Central Hungary the number of jobs that must be created is set at 100.

**Below please find set forth the conditions related to Cash grants for the different types of investments:**

- Aid granted for a “fundamental change in the production process”: the eligible costs must exceed the depreciation of the assets linked to the activity to be modernized in the course of the three fiscal years preceding the submission of the application.
- Aid granted for a “diversification of an existing establishment”: the eligible costs must exceed by at least 200 % the book value of the assets that are reused, as registered in the fiscal year preceding the start of the investment.

The definition of the term “start of the investment” has been modified in line with the recent practice, as follows: in the case of construction works, in addition to the first record in the construction journal, the first legally binding commitment will mean the start of the actual investment.

The definition of the term “large investment project” has been modified as follows: in the future only subsidized investments started in the same county in a 3x365 day period by enterprises not qualifying as an independent third party shall be aggregated.

**Cash grants will no longer be provided for the following types of investments:**

- Commercial activities,
- Investments aimed at tourism activities,
- Research infrastructure,
- For investments granted in addition to any other non-refundable grants, if the Cash grant is not a requirement of the previously awarded grant.

**In the following cases the European Commission must be notified and assess whether the aid can be provided prior to the awarding of the grant.**

- The eligible costs of the subsidized investment exceeds EUR 100 million,
- The beneficiary has closed down the same or a similar activity in the European Economic Area in the two years preceding its application for the Cash grant, or at the time of the aid application has concrete plans to close down such an activity within a period of up to two years after the investment – for which grant is requested – is completed.

As a result of the modifications, if the European Commission need not be notified, then the entire process is eased. In such cases no separate documentation is required in order to justify the incentive effect, as it is justified by the submission of the application itself.

Another significant modification is that the regulations specifically applicable to the processing of agricultural products (e.g. if the amount of aid exceeds 12 million euros, the Commission must be notified) have been excluded from the current decree. When dealing with eligible investments related to the processing of agricultural products the general rules shall remain applicable.

**Should you have any remarks or questions regarding the above, please contact our professionals:**

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