

## Client Brief

COMPETITION | STATE AIDS | ROMANIA

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### NEW INCENTIVES FOR JOB-CREATING INVESTMENTS

The European Commission has recently approved Romania's map for granting regional development State aid between 2014 and 2020<sup>1</sup>.

A new State aid scheme has been adopted on this basis (the “**New State Aid Scheme**”)<sup>2</sup>. It provides incentives for job-creating investments and will be applicable until 31 December 2020.

#### The main provisions of the New State Aid Scheme

##### *Eligibility criteria*

In order to benefit from the New State Aid Scheme, the applicant must carry out an initial investment project<sup>3</sup> which generates, within 3 years after the completion of the investment, the creation of at least 20 new jobs, of which at least 3 jobs for disadvantaged workers.

The jobs created must be maintained over a period of at least 5 years for large enterprises and of 3 years for small and medium enterprises.

A few economic sectors are excluded from this scheme<sup>4</sup>.

It should be mentioned that the investment project must not be launched prior to obtaining the approval of the aid application.

Both large enterprises and SMEs may benefit from such aid. Indeed, the scheme is addressed to all the companies which:

- are registered in accordance with Law no. 31/1990 on trading companies;
- have no outstanding debts to the State general consolidated budget;
- do not fall into the category of “firms in difficulty” as defined by EU law;

<sup>1</sup> European Commission Decision no. C(2014) 2240 final, SA.38364, dated 9 April 2014.

<sup>2</sup> Government Decision no. 332/2014 on the establishment of a State aid scheme to support investments promoting regional development through the creation of jobs.

<sup>3</sup> For large enterprises in Bucharest, they must be initial investments in favor of a new economic activity.

<sup>4</sup> E.g.: wholesale and retail; production and supply of electricity, thermal energy, gas and hot water; transports; telecommunications; production of wine and beer; agriculture, forestry, fishing; synthetic fibers.

- are not subject to forced execution, insolvency, bankruptcy, judicial reorganization, dissolution, operational closure, liquidation or temporary suspension of activity;
- are not subject to decisions concerning the recovery of a State aid or, in case such decisions were issued, they were duly enforced;
- did not previously benefit from other regional State aids for the same investment project;
- did not close an identical or similar activity within the European Economic Area within the two years prior to submitting the application for aid and, at the time of submission of the application, have no concrete plans to close down such an activity within a period of two years after the completion of the initial investment, in the same region.

Apart from these general conditions, specific conditions are established depending on the date when the company was established. Thus:

- *pre-existent companies* must: (i) have a turnover profitability greater or equal to 1% in the last completed financial year and (ii) have a positive equity during the last completed financial year;
- *newly established companies* must: (i) have a subscribed share capital of minimum RON 30,000 and (ii) not belong to shareholders who hold or have held, in the past two years prior to submitting the application for financing, another company registered in accordance with Law no. 31/1990, that carries out or has carried out the business for which financing is requested.

*Eligible expenses*

Eligible expenses under this New Scheme are the salary costs for newly created jobs, borne for a period of two consecutive years, following the creation of the respective jobs.

The aid will be awarded in the form of non-reimbursable funds<sup>5</sup> from the State budget and may not exceed a certain percentage of the eligible expenses.

Thus, for large enterprises, the maximum aid rate varies between 10% and 50% of eligible expenses, depending on the area concerned, as follows:

Region	Maximum rate and level of State aid	
	until 31.12.2017	01.01.2018 - 31.12.2020
Bucharest region	<b>15%</b> (but no more than EUR 11.25 million)	<b>10%</b> (but no more than EUR 7.5 million)
West and Ilfov regions	<b>35%</b> (but no more than EUR 26.25 million)	
Remaining regions	<b>50%</b> (but no more than EUR 37.5 million)	

These aid rates may be increased by up to 10 percentage points for medium-sized enterprises and respectively 20 percentage points for small enterprises.

<sup>5</sup> The State funds will be paid only after the eligible expenses have been fully or partially made.

## Background of the New State Aid Scheme

The European framework for regional aid aims to support investments in new production facilities in the less advantaged regions of Europe or to develop the existing facilities.

The European Commission's *New Regional State Aid Guidelines*<sup>6</sup> establish that the areas eligible in priority for regional investment aid are those which have a GDP per capita below 75% of the EU average.

Under this European framework, the Member States draw up regional aid maps indicating in which geographical areas companies are entitled to receive regional State aid and establishing the maximum aid rates.

Once these maps are approved by the European Commission, Member States may adopt various State aid schemes for sustaining economic development and employment in the target areas.

The New Romanian Regional State Aid Map will be applicable starting with 1 July 2014 and until 31 December 2020.

According to its provisions, the whole territory of Romania will be eligible for investment aid. The concrete advantages that enterprises may benefit from shall be established through specific State aid schemes.

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<sup>6</sup> European Commission's Guidelines on regional State aid for 2014-2020, OJ C209, 23.07.2013.