

General Block Exemption Regulation (“the Regulation”)

Regional Aid (Industry and Services) Scheme 2014- 2020

1. Objective of Scheme

The objective of this scheme is to provide (a) regional investment aid to SMEs to make an initial investment and (b) regional investment aid to large enterprises to make an initial investment in favour of a new economic activity. This aid will be available to enterprises located in eligible regions as set out in the Regional Aid Map for Ireland 20014-2020 approved by the European Commission dated 21st May, 2014 (Ref State Aid: C(2014) 3153).

2. Legal Basis and Rules

The operation of this scheme is subject to the provisions applicable to regional investment aid in the Regulation (Official Journal of the European Union Vol 57 dated 26th June 2014) and the enabling legislation of Enterprise Ireland, IDA Ireland, Udaras na Gaeltachta and Bord na gCon (“ the development agencies “)

3. Budget

The average annual budget of this Scheme shall not exceed EUR 150 million.

4. Who can apply?

Applicants will be eligible to apply for regional investment aid once the project concerned meets the criteria set out in the enabling legislation of the development agencies. The right to apply does not impose any obligation on the State to provide funding to an applicant.

5. Incentive Effect

5.1 This Scheme shall apply only to aid which has an incentive effect.

5.2 Aid shall be considered to have an incentive effect if the beneficiary has submitted a written application for the aid to the relevant development agency before work on the project or activity starts. The application for the aid shall contain at least the following information:

- (a) undertaking's name and size;
- (b) description of the project, including its start and end dates;
- (c) location of the project;
- (d) list of project costs;
- (e) type of aid (e.g. grant) and amount of public funding needed for the project;

5.3 If work begins before the applicant has submitted a written application to the relevant development agency the whole project will be ineligible for aid. Start of work means the earlier of either the start of construction works relating to the investment or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. Buying land and preparatory works such as obtaining permits or conducting feasibility studies are not considered start of works.

6. Scope of Scheme

This scheme shall not apply to the following:-

- (a) aid which favours activities in the steel sector, the coal sector, the shipbuilding sector, the synthetic fibres sector, the transport sector as well as the related infrastructure, energy generation, distribution and infrastructure;
- (b) Aid for processing and marketing of agricultural products in the following cases
 - (a) where the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned; or
 - (b) where the aid is conditional on being partly or entirely passed on to primary producers;
- (c) aid granted in the fishery and aquaculture sector, as covered by Regulation (EU) 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council regulations (EC) 1184/2006 and (EC) 1224/2009 and repealing council regulation (EC) 104/2000
- (d) aid granted to the primary agricultural production sector,

6.2 The following aid is not permitted under the scheme:-

- (a) Aid to export related activities towards third countries or Ireland, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to the other current expenditure linked to export activity;
- (b) Operating aid;
 - (a) Aid other than regional investment aid;
 - (b) Ad hoc aid;
- (c) Aid exceeding €7.5 million for SMEs and aid the adjusted aid amount calculated in accordance with the mechanism defined in Article 2 (20) of the Regulation for Large Enterprises;
- (d) Aid subject to conditions that the beneficiary establish its headquarters in Ireland and or that the beneficiary use nationally produced goods or national services.

6.3 The following beneficiaries are ineligible for aid under the scheme:

- (a) a beneficiary who is subject to an outstanding recovery order following a previous Commission decision declaring the aid illegal and incompatible with the internal market.
- (b) a firm in difficulty as defined by Article 2(18) of the Regulation.
- (c) a beneficiary that has closed down the *same or similar activity* in the European Economic Area in the two years preceding its application for regional investment aid 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 initial investment for which aid is requested is completed in the area concerned.

Same or similar activity means an activity falling under the same class (four digit numerical code) of the NACE Rev.2 statistical classification of economic activities.

7. Eligible Projects

Eligible projects are defined as:-

7.1 Initial investments in tangible and intangible assets which fall into one of the following categories:

- (a) the setting up of a new establishment.
- (b) the extension of the capacity of an existing establishment.
- (c) diversification of the output of an establishment into products not previously produced in the establishment.
- (d) a fundamental change in the overall production process of an existing establishment.
- (e) the acquisition of assets belonging to an establishment that has closed had it not been purchased and is bought by an investor unrelated to the seller and excludes sole acquisition of the share of an undertaking; and

7.2 Initial investments in tangible and intangible assets in favour of a *new economic activity* which fall into one of the following categories:

- (a) the setting up of a new establishment.
- (b) the diversification of the activity of an establishment under the condition that the new activity is not the same or similar activity to the activity previously performed in the establishment.
- (c) the acquisition of assets belonging to an establishment that has closed had it not been purchased and is bought by an investor unrelated to the seller under the condition that the new activity to be performed using the acquired assets is not the same or similar activity to the activity performed in the establishment prior to the acquisition.

7.3 A *new economic activity* means an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities.

Regional Aid for broadband network development as foreseen in Article 14(10) will not be available under the Regional Aid (Industry and Services) Scheme 2014- 2020.

8. Eligible Costs

The following costs will be regarded as eligible costs:

- (a) investment costs in tangible and intangible assets.
- (b) the estimated wage costs arising from job creation as a result of an initial investment calculated over a period of two years.
- (c) a combination of points (a) and (b) not exceeding the amount of (a) and (b) whichever is the higher.

Any initial investment started by the same beneficiary (at group level) within a period of three years from the date of start of works on another aided instrument in the same NUTS 3 Region should be considered to be part of the single investment project.

The beneficiary's own contribution should cover at least 25% of the eligible costs.

8.1 Tangible Assets

Expenditure on land/building (including site development costs), plant/machinery and equipment. The investment in tangible assets should be maintained in the recipient area for at least five years in the case of large undertakings or three years in the case of SMEs, after completion of the investment.

8.2 Intangible Assets

Expenditure on the transfer of technology through the acquisition of patent rights, licences, know-how or unpatented technical knowledge provided that they are:

- (a) used exclusively in the establishment receiving regional aid.
- (b) are amortizable assets.
- (c) purchased under market conditions from third parties unrelated to the buyer.
- (d) included in the assets of the beneficiary receiving regional aid and remain associated with the project for at least 5 years in the case of large undertakings or 3 years in the case of SMEs.

For SMEs, the full costs of investments in intangible assets will be eligible. For large companies, such costs are eligible only up to a limit of 50% of the total eligible investment expenditure of the project.

8.3 Wage costs of jobs linked to an Initial Investment

- (a) The expected wage costs arising from a job creation project as a result of an initial investment project are an eligible cost. The salary cost is defined as the gross wage before tax plus compulsory social security contributions such as PRSI.
- (b) The amount of aid must not exceed a certain % of the expected wage cost of the person hired, calculated over a two year period. The percentage is equal to the intensity allowed for regional aid in the area in question.
- (c) These jobs must be directly created by an investment project.
- (d) The investment project shall lead to a net increase in the number of employees in the establishment concerned compared with the average over the previous 12 months.
- (e) Each post shall be filled within three years of completion of the works.
- (f) Each job created through the investment shall be maintained in the area concerned for a period of at least five years for large undertaking and in the case of SME's three years.

9. Second Hand Equipment

- (a) SMEs are eligible to seek support for second hand equipment.
- (b) Large undertakings are not eligible to seek support for second hand equipment except where there is an acquisition of an establishment. If aid has already been granted for the acquisition of assets prior to the acquisition of an establishment the costs of those assets, shall be deducted from the eligible costs.

10. Lease of Tangible Assets

Costs related to the lease of tangible assets may be taken into account under the following conditions:

- (a) for land and buildings, the lease must continue for at least five years after the expected date of completion of the investment project for large undertakings or three years in the case of SMEs;
- (b) for plant or machinery, the lease must take the form of financial leasing and must contain an obligation for the beneficiary of the aid to purchase the asset upon expiry of the term of the lease.

11. Acquisitions

In the case of acquisition of the assets of an establishment within the meaning of Article 2 point 48 (b) of the Regulation, only the costs of buying the assets from third parties unrelated to the buyer shall be taken into consideration. The transaction shall take place under market conditions. If aid has already been granted for the acquisition of assets prior to their purchase, the costs of those assets shall be deducted from the eligible costs related to the acquisition of an establishment. Where a member of the family of the original owner, or an employee, takes over a small enterprise, the condition that the assets be bought from third parties unrelated to the buyer shall be waived. The acquisition of shares does not constitute initial investment.

12. Aid granted for a fundamental change in the production process (SME)

The eligible costs must exceed the depreciation of the assets linked to grant aided activity in the course of the preceding three years.

13. Aid granted for a diversification of an existing establishment (SME)

The eligible costs must exceed by at least 200 % the book value of the assets that are reused in the grant aided activity as registered in the fiscal year preceding the start of works.

14. Aid for research infrastructures

Regional investment aid can only be granted for research infrastructures if the aid is made conditional on giving non-discriminatory access to third parties to the aided infrastructure.

15. Form of Aid

Only transparent forms of aid may be paid by the development agencies (i.e. in which it is possible to calculate precisely the gross grant equivalent as a percentage of eligible expenditure ex ante without need to undertake a risk assessment) such as capital grants, employment grants and technology acquisition grants.

16. Definitions

For the purposes of this scheme the definitions set out Article 2 in the Regulation including those set out definitions section for regional investment aid in the Regulation, on the application of Articles 107 and 108 of the TFEU to regional investment aid, shall apply.

17. Cumulation

Aid under this Scheme may be cumulated with other State aid only in accordance with Article 8 of the Regulation.

18. Period of Validity

This scheme shall operate from 1 July 2014 until 31 December 2020.