

## SUBSIDY TO INCREASE COMPETITIVENESS FREQUENTLY ASKED QUESTIONS

### QUESTIONS WITH REGARD TO THE GRANTING PROCESS

#### HOW DOES THE PROCEDURE OF GRANTING THE SUBSIDY TO INCREASE COMPETITIVENESS LOOK LIKE? WHERE ARE THE APPLICATION DOCUMENTS AVAILABLE?

Documents necessary for the application are available at [this site](#).

The completed and duly signed application form shall be sent electronically, in scanned format, to the [statesubsidy2020@hipa.hu](mailto:statesubsidy2020@hipa.hu) address as an attachment. Original copies shall also be sent to the headquarters of HIPA (H-1055, Budapest, Honvéd utca 20.), either by regular post or by courier.

HIPA assesses the application form and checks the fulfillment of the eligibility conditions. If any rectification is needed, HIPA shall request the applicant by mail to submit the missing documents. In the case of successful applications, a grant document will be sent to the company both electronically and by post. The applicant shall then submit a letter of authorisation for each of its domestic bank accounts to give effect to the grant document. Within 60 days following the entry into force, the subsidy shall be paid in the form of an advance.

#### IS IT POSSIBLE TO DISBURSE THE SUBSIDY BY POST-FINANCING?

In all cases, the subsidy will be paid in the form of a non-refundable 100% advance, in a lump sum, so no post-financing is possible.

#### WHAT HAPPENS IF THE APPLICATION IS NOT RECEIVED WITHIN 5 DAYS OF DISPATCH DUE TO THE OPERATION OF THE POSTAL SERVICE? IS IT POSSIBLE TO SEND THE APPLICATION MATERIAL BY COURIER SERVICE OR EXPRESS MAIL SERVICE?

If the paper-based application material with the same content is not received within 5 days, the application will be rejected. Paper-based submission of the application material is possible by post, express mail and in person.

### QUESTIONS REGARDING THE COMPLETION OF THE APPLICATION FORM

#### ON THE APPLICATION FORM, THE TARIFF HEADING (VTSZ) OF THE PRODUCT MANUFACTURED AS A RESULT OF THE INVESTMENT OR THE TESZOR NUMBER OF THE SERVICE SHALL BE INDICATED. IF THE COMPANY WILL PRODUCE SEVERAL PRODUCTS WITH THE MACHINE PURCHASED WITHIN THE FRAMEWORK OF THE INVESTMENT, SHALL THE TARIFF NUMBER OF EACH PRODUCT BE LISTED, OR CAN WE GIVE ONLY ONE HERE?

If the investment is related to the production of several products or the pursuing of several activities, all activities, products or services shall be indicated on the application form.

## QUESTIONS WITH REGARD TO ELIGIBILITY CRITERIA

### WHICH COMPANIES MAY APPLY FOR THE SUBSIDY TO INCREASE COMPETITIVENESS?

Companies considered medium or large enterprise and having a registered office, site or branch in Hungary may apply for the subsidy to increase competitiveness.

### WHICH SECTORS ARE EXCLUDED FROM THE SUBSIDY TO INCREASE COMPETITIVENESS?

The target group of the subsidy to increase competitiveness is the manufacturing and the business services sectors, with the exception of the following industries and economic areas, provided that the assessment of these activities does not concern the applicant's main activity but the activity covered by the investment:

- Steel sector
- Shipbuilding sector
- Synthetic fibres sector
- Primary agricultural production
- Energy sector
- Fisheries and aquaculture
- Transport
- Tourism
- Activities subject to concession
- Coal sector
- Export-related activities

The listed industries shall be interpreted in accordance with Commission Regulation 651/2014/EU of 17 June 2014 declaring certain categories of subsidy compatible with the internal market in application of Articles 107 and 108 of the Treaty.

- Commercial activity shall mean the holding or offering for sale, delivery or any other manner of placing on the market by way of business, if it takes place in separate premises reserved for that purpose or through an electronic system designed for that purpose.

### IS THERE A TERRITORIAL RESTRICTION WITH REGARD TO SUBSIDY TO INCREASE COMPETITIVENESS?

The subsidy is available on the whole territory of Hungary, without territorial restriction.

### MAY SMALL ENTERPRISES APPLY FOR THE SUBSIDY TO INCREASE COMPETITIVENESS?

No, this subsidy form is available only for medium and large enterprises.

### HOW THE SIZE OF THE COMPANY IS DETERMINED?

The size of the company needs to be examined on the level of the group of companies, based on the headcount and financial data of the last two closed business years of the company and the company's partners and affiliates. The size of the company shall be interpreted in accordance with Commission Regulation 651/2014/EU of 17 June 2014 declaring certain categories of subsidy compatible with the internal market in application of Articles 107 and 108 of the Treaty.

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## HOW THE 25% DECLINE IN SALES REVENUE OR IN THE VALUE OF THE ORDER BOOK SHALL BE SUBSTANTIATED?

Companies may consider the parameters, the timeframe and the documents they want to support the downturn with on a case-by-case basis, depending on whether the order book or the sales revenue within a given company were more severely affected by the coronavirus epidemic. The company may support the downturn with reports and internal statements (e.g., VAT summary, general ledger statement, order book, etc.). A suitable method to support the decrease in orders is if the investor demonstrates the extent to which the orders have been cancelled and their relationship with the coronavirus, supported by appropriate documentation (paper-based correspondence, electronic mail, databases, factual data).

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## MAY SEVERAL LEGAL ENTITIES SUBMIT AN APPLICATION FORM FOR THE SUBSIDY TO INCREASE COMPETITIVENESS WITH REGARD TO THE SAME INVESTMENT?

The grant document sets out the rights and obligations between the Grantor and the Investor legal entity, that is, a certain application may only be submitted by one legal entity only which shall implement the investment at its own premises.

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## IS A COMPANY HAVING AN INSURANCE POLICY COVERING THE DAMAGE CAUSED BY THE CORONAVIRUS ELIGIBLE FOR THE SUBSIDY TO INCREASE COMPETITIVENESS?

If the damages incurred are fully reimbursed on the basis of the valid insurance taken out, the company shall not be eligible for the subsidy to increase competitiveness.

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## WHAT IS THE BASE HEADCOUNT?

The base headcount of the investor shall always be its average staff number of the 12 months preceding the electronic submission of the application. To verify this, the Hungarian Central Statistical Office report and the internal register shall be sent to HIPA.

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## UNTIL WHEN THE BASE HEADCOUNT SHALL BE MAINTAINED?

The base headcount shall be maintained until the end of the investment, but at least until 31 December 2020 on average.

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## UNTIL WHEN THE ASSETS AND BUILDINGS SHALL BE OPERATED?

The acquired tangible assets supported by the subsidy shall serve the supported activity at the company's premises on a permanent basis, and at least until the end of the commitment period, that is, until the completion of the investment.

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## IF THE COMPANY'S HEADCOUNT FALLS BELOW THE BASE HEADCOUNT FOR ONE OR MORE MONTHS DURING THE MAINTAINING PERIOD, SHALL THE COMPANY LOSE ITS ELIGIBILITY TO THE SUBSIDY TO INCREASE COMPETITIVENESS?

If, on average, the company is able to maintain its base headcount in the period between the submission of the application and the end of the investment, it shall not lose eligibility.

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## UNTIL WHEN THE INVESTMENT SHALL BE IMPLEMENTED AND WHAT IS THE EXACT DATE OF THE IMPLEMENTATION OF THE INVESTMENT?

The investment shall be completed by 30 June 2021 at the latest. The investment completion date shall be the date on which the last activated supported asset is activated for accounting.

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#### IS IT NECESSARY TO SUPPORT INVESTMENT COSTS WITH, FOR EXAMPLE, CONCLUDED CONTRACTS, OFFERS, ETC. WHEN SUBMITTING THE APPLICATION?

It is not necessary to support investment costs when submitting the application. The commitment regarding the investment volume as indicated in the grant document shall be verified after the completion of the investment, when the report is sent.

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#### IS IT NECESSARY TO CONDUCT A PUBLIC PROCUREMENT PROCEDURE?

For subsidy to increase competitiveness, it is not necessary to conduct a public procurement procedure, so no price offer is required to be attached.

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#### MAY AN INVESTMENT ALREADY STARTED BE SUPPORTED?

An investment already started may not be supported.

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#### WHAT GUARANTEE SHALL BE PROVIDED FOR THE SUBSIDY?

In the case of the subsidy to increase competitiveness, the financial guarantee is formally a letter of authorisation for the applicant's domestic bank account which may be debited with all direct debit orders, in the form and with the content specified in Annex I to the grant document.

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#### MAY A COMPANY APPLY FOR THE SUBSIDY TO INCREASE COMPETITIVENESS (ID NUMBER VNT2020-1) WHICH HAS ALREADY AN OFFICIAL DECLARATION ON PROVIDING CASH INCENTIVE IN FORCE?

In case the amount of the aid granted for the company group under this scheme or under any other scheme on the basis of Section 3.1 of Commission Communication on the Temporary Framework for State aid measures to support the economy in the current COVID-19 pandemic not exceed the amount of EUR 800,000, the company has the possibility to submit a new application.

In this case the new project shall meet all the criteria of the scheme. Please note, that the eligible cost of the new investment has to reach at least EUR 150,000 by 30 June 2021 and the amount of the aid will be determined based on the eligible cost of the new investment.

Any documents that have been submitted earlier and approved proving that in connection with the pandemic, the company experienced a decline of at least 25% in sales revenue or orders are acceptable for the new application, but the company has to attach it to the new application form, too.

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### QUESTIONS RELATED TO ELIGIBLE COSTS

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#### WHICH COSTS MAY BE TAKEN INTO ACCOUNT WHEN DETERMINING THE INVESTMENT COSTS/INVESTMENT VOLUME?

In the case of the subsidy to increase competitiveness, the construction or conversion of buildings, and the acquisition of tangible assets or intangible assets shall be considered an investment, so the costs of such items may be taken into account when determining the investment costs. The basis of the costs shall be §47 to 51 of Sztv., subject to some limitations.

As regards detailed rules for eligible and ineligible costs, please visit [this site](#).

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#### WHEN PURCHASING A REAL PROPERTY, MAY THE PRICE OF THE PROPERTY BE INCLUDED IN THE INVESTMENT COSTS?

Yes, and construction costs related to the real property may also be eligible. Renovation can only be taken into consideration if it is considered to be an improvement, so its purpose is not to restore the original condition.

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#### IF THE PURCHASE PRICE OF THE PROPERTY IS HIGHER THAN THE VALUE OF THE OFFICIAL APPRAISER PROPERTY VALUE, WHICH COST SHALL BE ELIGIBLE?

In these cases, the official appraiser property value shall be governing. Appraising shall be provided by an independent third person.

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#### ARE USED ASSETS ELIGIBLE, TOO, OR ONLY NEW ASSETS?

Large companies may only eligible for the supporting of new assets, but medium companies are eligible for the supporting of used assets, too, if these are necessary to achieve the investment objective.

However, a used asset acquired by a large company is eligible if the used asset is a closed facility and the seller is a third party independent of the investor (acquisition of a facility).

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#### MAY ASSETS BE ACQUIRED FROM THE PARENT COMPANY?

It is possible for the applicant to acquire assets from an intra-group company, which will be recalculated as new assets (not activated within the group). However, in the case of assets acquired within the group, the eligible cost may not exceed the amount recorded in the seller's books. Furthermore, it is not possible to account for profits between companies.

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#### ARE PERSONNEL EXPENSES ELIGIBLE WITHIN THE FRAMEWORK OF THE INVESTMENT?

Since the construction or conversion of buildings, and the acquisition of tangible assets or intangible assets shall be considered an investment in the case of the subsidy to increase competitiveness, the costs of such items may be taken into account when determining the investment costs, so personnel expenses or material costs are not eligible.

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#### ARE TRAINING-RELATED COSTS ELIGIBLE?

No, only the costs of tangible assets or intangible assets related to the investment.

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#### ARE ASSETS RELATED TO THE PRODUCTION OF RENEWABLE ENERGY ELIGIBLE?

Yes, if the primary purpose of the investment is not energy production, the energy production capacity does not exceed the energy needs of the applicant and not more than 20% of the energy produced is sold.

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### QUESTIONS RELATED TO THE SUBSIDY AMOUNT AND SUBSIDY ACCUMULATION

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#### WHAT IS THE MAXIMUM SUBSIDY AMOUNT IN THE CASE OF THE SUBSIDY TO INCREASE COMPETITIVENESS?

The subsidy is determined in ranges, in each case converted into HUF, as follows:

- if the investment volume is between EUR 150,000 and 300,000, the amount of subsidy to increase competitiveness shall be 30%
- if the investment volume is between EUR 300,001 and 300,000, the amount of subsidy to increase competitiveness shall be 40%
- if the investment volume is above EUR 500,000, the amount of subsidy to increase competitiveness shall be 50% but not more than EUR 800,000.

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#### WHAT IS THE APPLICABLE EXCHANGE RATE FOR CONVERTING FROM EUR TO HUF?

In all cases, the applicable exchange rate shall be the exchange rate published by the Hungarian National Bank valid on the last working day of the month preceding the electronic submission of the application form. The exchange rate of the investment in HUF shall also be determined using this exchange rate. At the same time, when compiling the report, foreign currency items shall be converted into HUF using the exchange rate valid upon payment.

As regards the current exchange rate, please visit [this](#) site.

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#### MAY SEVERAL COMPANIES WITHIN A GROUP OF COMPANIES APPLY FOR A SUBSIDY TO INCREASE COMPETITIVENESS?

Within a group of companies, it is possible for several legal entities to apply for a subsidy to increase competitiveness, however, the amount of support may not exceed a maximum value of EUR 800,000, expressed in HUF, within a group of companies.

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#### IS THE MAXIMUM SUBSIDY AMOUNT AFFECTED BY OTHER GRANT AGREEMENTS CONCLUDED OR IN PROGRESS?

Competitiveness subsidy and other investment subsidy must be treated separately, so they do not affect each other, but based on the same eligible costs cash subsidies may not be combined.

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#### MAY THE SUBSIDY TO INCREASE COMPETITIVENESS BE COMBINED WITH A TAX ADVANTAGE OR ANOTHER NON-REPAYABLE SUBSIDY, OR MAY A LOAN WITH SUBSIDY CONTENT BE APPLIED FOR?

The subsidy to increase competitiveness may not be combined with other cash subsidy, but a development tax advantage may be applied for, subject to the maximum subsidy intensity as provided for in Article 14 of the general block exemption regulation, that is, §25 of Government Decree No 37/2011 of 22 March 2011.

If the investor wishes to realise the planned investment from an interest-subsidised loan, the subsidy title on the basis of which the loan contains an interest subsidy shall be assessed and it shall be the basis on which it can be determined how much interest subsidy may be used in addition to the subsidy to increase competitiveness.

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#### QUESTIONS RELATED TO THE OBLIGATION TO REPAY IN CASE OF NON-PERFORMANCE

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#### IS THE SUBSIDY SUBJECTED TO THE AVAILABILITY OF THE NECESSARY AUTHORITY PERMITS FOR THE INVESTOR WHEN SUBMITTING THE APPLICATION?

The subsidy shall not be conditional on the prior availability of the necessary authority permits, but the Grantor shall be entitled to verify whether the investor has the necessary permits and it shall be entitled to withdraw the subsidy if the beneficiary has not obtained the authority permits necessary for the investment.

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## WHAT ARE THE EXACT PENALTIES TO BE EXPECTED IN THE EVENT OF AN OBLIGATION TO REPAY THE SUBSIDY PSUBSIDY AS AN ADVANCE?

If the Grantor finds that the Beneficiary is entitled to a subsidy of a lesser amount based on the actual value of the Investment, the Beneficiary shall be obliged to repay the difference between the Subsidy and the amount of the Subsidy in HUF corresponding to the actual value of the Investment. In this case, the amount of the subsidy shall be repaid increased by the transaction interest as provided for in Government decree 368/2011 (XII. 31.) on the Implementation of the Act on Public Finances (twice the base rate of the Hungarian National Bank) and, in the event of a delay, by an interest on arrears.

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## WHAT REPAYMENT OBLIGATIONS ARISE IN THE EVENT OF DEFAULT?

According to the above point, a full repayment obligation arises in the event of non-fulfillment of the maintenance of the base number and in the case of an investment that does not reach the eligible cost of HUF 150,000 by 30 June 2021.

According to the above point, a proportionate repayment obligation arises if the total cost of the investment does not reach the amount specified in the grant document by 30 June 2021, but reaches at least the amount denominated in HUF corresponding to EUR 150,000.

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## MAY THE LOCATION OF THE INVESTMENT CHANGE AFTER THE ISSUANCE OF THE GRANT DOCUMENT?

No, in the case of the subsidy to increase competitiveness, the assets acquired shall be put into operation at the designated investment location and the investor shall have ownership or rental rights in the investment location.

*connection with the resulting discrepancies, the Beneficiary may not assert any claim for damages against HIPA Nonprofit Zrt. or the Grantor.*