

WHITE PAPER (UPDATED: 20 OCTOBER 2015)

Individual business investment aid

The individual business investment aid from the Joint Scheme for the Improvement of Regional Economic Structures (GRW) provides financial assistance to compensate for location-based disadvantages that affect industrial enterprises (including tourism). In structurally weak regions, this funding strengthens the local economy's competitiveness and ability to adapt. It also aims to create and secure permanent jobs.

OVERVIEW

- Place of business in identified assisted areas in Lower Saxony
- Enterprises in industry, tourism and accommodation sector
- Rate of aid according to the standard aid rates of Lower Saxony; maximum aid of EUR 2,000,000
- Minimum investment of EUR 50,000
- Period of implementation: 36 months maximum
- Creation of new, permanent jobs/vocational training positions, securing existing permanent jobs

WHO CAN FILE AN APPLICATION?

- In principle, all small and medium enterprises (SMEs pursuant to Annex I of the General Block Exemption Regulation [GBER]) and enterprises in the tourist trade with largely supra-regional sales. The granting of aid to other companies is subject to special restrictions.
- The funding request must be submitted by the person or entity who is making the business investment. In the case of an operational split-up recognised for tax purposes, a partnership within the framework of affiliated companies in a fiscal unity regime/with consolidated tax filing status or other investor/user configurations, the person or entity entitled to file the application is the one who uses the assets. The granting of aid in the last instance mentioned is only possible if investor and users assume joint and several liability.
- Projects with advance aid granted to the business establishment can only be funded once the review verifying the use of the aid has been completed.

Notes for the hotel industry

- Separate criteria apply to individual business investment aid in the accommodation sector, which were defined for this purpose. These criteria can be found under the "Individual Business Investment Aid" funding programme.



QUESTIONS?

We are happy to advise you personally.

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WHAT IS FUNDED?

Investment projects eligible for aid at small and medium enterprises (SMEs)

- Start-up investments
- Expansion investments
- Diversification of production to include products not previously manufactured at the site
- Fundamental changes to the entire production process
- Purchase of assets directly related to the business establishment, provided that
 - ... the business establishment was closed
 - ... or would have been closed without the purchase
 - ... and provided the assets were purchased by an investor who has no connection with the seller.

In the case of smaller enterprises that are taken over by family members of the original owners or by former employees, the condition that the assets must be purchased from third parties who have no connection with the buyer does not apply. The acquisition of company shares is not considered an initial investment.

Investment projects eligible for aid at large enterprises

Investments pursuant to Article 2 No. 51 GBER of a business establishment in the region in question. They are as follows:

- Start-up investments
- Diversification of the activity of a business establishment, provided that
 - ... the new activity is not the same as or similar to that which the business establishment formerly engaged in
- Purchase of the assets of a business establishment, provided that
 - ... the business establishment was closed
 - ... or would have been closed without the purchase
 - ... and provided that the assets were purchased by an investor who has no connection with the seller and that the new activity the business establishment will engage in with the acquired assets is not the same as or similar to that found at the business establishment prior to the purchase. The acquisition of company shares is not considered an initial investment.

Initial investments for the diversification of an existing business establishment in a C assisted region by adding new products or new process innovations. The projects must be registered individually with the European Commission.

CONDITIONS

- The aid is granted as a non-repayable grant related to real capital. The specific investment aid of the Joint Scheme for the Improvement of Regional Economic Structures is based on the policy-related recommendations at Bundesland level in Lower Saxony. Details on the rates of aid in Lower Saxony are available on our homepage.
- The contribution of the applicant from own or external funds for financing the investment project must amount to at least 25% of the eligible costs. No part of this minimum amount can come from public funding.
- In the case of repeat funding for a business establishment, five points per case of advance aid will be deducted in the scoring process (see quality criteria). The basis of assessment comprises the past ten years from the start of the project that was already funded to the date of the current application.
- Among other things, there is an obligation to register with the European Commission if, in the case of regional investment aid, the aid recipient discontinued engaging in the same or a similar activity in the European Economic Area two years before the date of the application for aid or, if at the time of application, the applicant intends to discontinue engaging in such activity in the two years after the conclusion of the aided investment.

Eligible costs include:

- Acquisition or manufacturing costs of the tangible fixed assets (property, plant and equipment, among others) associated with the investment project
- Acquisition or manufacturing costs of movable assets used within the assisted region
- Acquisition costs of intangible assets:
 - ... for SMEs, the complete costs of the eligible overall investment project
 - ... for large enterprises, only up to 50% of the eligible overall investment costs.
- Intangible assets include patents, operating licences as well as patented and unpatented technical knowledge.
- Intangible assets are only eligible if
 - ... they are capitalised and can be amortised,
 - ... the investor has acquired them at market conditions from a third party (and not from an associated enterprise, or one having business, legal or personnel links to the investor), and
 - ... these assets are used exclusively at the business establishment granted the aid.
- Assets under hire or lease, with the exception of property, provided they are capitalised by the applicant. The hire-purchase or lease agreement for other assets as buildings must take the form of financial leasing and provide for the subsidised assets to be purchased upon expiry of the term of the lease. The hire-purchaser/lessee must bear the risk for the maintenance of the subsidised assets.
- In the event of a takeover of a business establishment: the eligible acquisition costs of the tangible fixed assets up to the market price. Acquisition costs for assets that have already received funding must be deducted from this.

Ineligible costs include:

- Investments that serve the purpose of replacement purchases (e.g. renovation/refurbishment costs)
- The acquisition or manufacturing costs for passenger cars, estate cars, lorries, buses, aircraft, ships and railway vehicles as well as other vehicles approved for use on roads and which primarily serve transport purposes
- Used assets, unless it concerns acquiring a business establishment that has closed down/is in danger of closing down or the acquirer is an SME in the start-up phase. Only those used assets are eligible that were not purchased from an associated enterprise, or one having business, legal or personnel links to the investor, and which were not previously subsidised by public funds. In the case of smaller enterprises that are taken over by family members of the original owners or by former employees, the condition that the assets must be purchased from third parties who have no connection with the buyer does not apply.
- Financing costs that can be capitalised (e.g. interest during construction)
- Services on own account
- Costs for the acquisition of land, including ancillary costs, as well as the hire-purchase or leasing of property
- The costs for enterprise relocation alone without also expanding the business establishment at the same time

Excluded from receiving aid:

- Agriculture, forestry, aquaculture and fishing, provided the focus of business activity is not on processing and marketing
- Iron and steel industry pursuant to Article 2 No. 43 GBER
- Mining, quarrying of sand, gravel, clay and stone and comparable branches of primary production
- Energy and water supply, besides power stations and water supply facilities that largely serve the needs of the enterprise
- Construction, with the exception of those areas on the whitelist
- Retail, unless it is a mail-order business
- Transport and storage
- Hospitals, clinics, sanatoriums and other similar institutions
- Synthetic fibres industry
- Aid to enterprises in trouble, with the exception of aid granted for dealing with the effects of natural disasters
- Airports
- Enterprises whose principal activity falls under Section K "Financial and insurance activities" of NACE Revision 2 Statistical Classification of Economic Activities in the European Community
- Enterprises whose principal activity falls under class 70.22 "Business and other management consultancy activities" (except technical business consulting) of NACE Revision 2

Other sectors that are not eligible for aid in Lower Saxony:

- Arms manufacturing and trade
- Manufacturing and trade of erotic goods
- Bars, dance clubs, restaurants
- Fitness centres
- Bowling and nine-pin bowling alleys
- Go-kart tracks and other similar amusement ride facilities
- Golf courses and tennis courts
- Call centres
- Boarding kennels, pet/animal training centres, animal breeding and husbandry operations
- Dental laboratories
- Mobile services
- Personal services
- Activities connected with the use of raw materials procured by means of containers for used clothing/shoes or from door-to-door collection
- Freelance professionals
- Tax consulting firms, provided they cannot be assigned to one of the items on the whitelist
- Temporary work

Additional restrictions may be specified by procedural regulations of Lower Saxony.

Restriction of aid

- Due to the rules that govern the granting of aid, assistance is only possible to a limited extent with respect to the processing and marketing of agricultural and fishery products.

Further conditions

- Before the start of the investment project, NBank must confirm in writing that the conditions for receiving aid, subject to a detailed examination, have been met in principle. Only then can the project begin without being in violation of the rules for receiving aid.
- The conclusion of a supply or service agreement attributable to executing the plan is understood as being a fundamental part of the beginning of a project. In the case of construction measures, planning, soil analysis and other preparatory actions are not considered to be the start of a project. N.B.: The conclusion of architect agreements that exceed service phase 6 of the fee structure for architects and engineers (HOAI) is regarded as the start of a project in violation of the rules for receiving aid. A premature start to the project is to be assumed in the event that services from service phase 7 and higher are commissioned, provided the agreement does not reserve the right of rescission/cancellation if the funding is not granted.
- The place of business must be located in Lower Saxony in the identified assisted areas.
- The applicant must award contracts (starting at an overall contract value of EUR 500, including additional contracts) exclusively to competent and capable providers in accordance with the necessary considerations for ensuring fair competition and at economically reasonable conditions.

Start of the project only after receiving confirmation of eligibility to receive aid

Map of assisted areas Lower Saxony

Three offers for comparison

Minimum investment amount

Score of at least 50 points

Completed within 36 months

At least three offers must be obtained for comparison and stored at NBank to ensure that proof of this can be provided. Any deviations from the procedure outlined above must be justified in writing.

- The eligible investment amount must be at least EUR 50,000.
- The maximum amount of aid is capped at EUR 2,000,000.
- Eligible projects must have a score of at least 50 points to be considered in the planning round.
- The project must be carried out within a maximum of 36 months.
- The aid is granted as a grant related to real capital.

Quality criteria for assessing and prioritising applications

- Size of the enterprise
- Increase in the number of permanent jobs subject to social insurance contributions
- Amount of investment costs per newly created permanent job
- Tied to a collective wage agreement
- Investments of particular regional importance
- Innovative nature of the project
- Jobs that are especially suited to having a family and a career
- Sustainable and environmentally conscious investments and projects

Please also refer to the procedural rules and quality criteria listed on our homepage.

— Assessment and prioritisation procedure:

- ... A project presented in an application for aid must have a score of at least 50 points to be eligible and given consideration as part of a planning round.
- ... Based on their scores, the applications submitted to NBank which are eligible and ready for approval will be prioritised for the planning round and then decided on and approved, taking into account the budgetary resources available. There is no legal right to receive aid.
- ... Enterprises whose applications were unable to be considered as part of the planning round will be duly notified by NBank.
- ... Applications that could not be considered during the initial planning phase will be reviewed once more in the next round of decisions and ranked again with all of the applications for that planning round. An application will be rejected if it cannot be considered within the scope of four planning rounds.

REQUIREMENTS

— Primary effect

Investments are eligible if they lead to the creation of additional sources of income that directly and permanently raise the region's total level of income to a significant degree (known as the primary effect). It can be assumed that the requirements of the primary effect within the meaning of the concept are satisfied with respect to the activities listed in Annex 8 of the coordination framework (whitepaper). In cases of exception, aid may be granted as part of a decision relating to an individual case if the

enterprise applying for assistance can furnish proof that its products or range of services are sold largely at a supra-regional level.

Sales outside a radius of 50 km from the municipality where the business establishment is located are considered supra-regional.

— **Permanent jobs**

The investment projects must create new, permanent jobs or secure such positions that already exist in the assisted areas. They must remain filled for a period of at least five years (earmarking period) after the conclusion of the respective projects. Solely securing permanent jobs does not make a project eligible to receive aid, however.

— **Employment subject to social insurance contributions**

Newly created permanent jobs at the business establishment granted aid must be filled exclusively by people entering into employment subject to social insurance contributions and whose hourly compensation does not fall below EUR 8.50 (gross hourly employee wage).

— **Earmarking**

On average, a maximum of 15% of the workforce at the business establishment receiving aid may consist of temporary workers for the duration of the earmarking period.

— **Special effort**

Only those investments that involve a special effort on the part of the business with regard the amount or number of additional permanent jobs are considered for aid. This criterion is regarded as having been met if the number of existing permanent jobs at the business establishment to receive aid increases by at least 15% as compared to the number at the time of application.

— **Investment amount**

It is also possible to receive aid if the investment amount – with respect to one year – exceeds the average value of the write-downs (excluding extraordinary write-downs) in the last three years by at least 50%. At the same time, the number of existing permanent jobs at the business establishment to receive aid at the beginning of the investment period must increase by at least 7.5%.

— **Investment amount**

The grant is only considered for the portion of investment costs which does not exceed EUR 500,000 per permanent job created or EUR 250,000 per permanent job secured. The number of permanent jobs secured must be substantiated.

— **Implementation period**

Investment grants are only approved for projects that are carried out within a period of 36 months maximum.

PERSONAL CONSULTATION

If you would like to receive personal advice or assistance in filing an application, we are happy to take the time to help you. Just give us a call.

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