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highlights

Changes in maximum state aids available for investments in Hungary between 2014 and 2020 – What should you know? – Did you know that from 1 July there will be significant changes made to the maximum EU aid and development tax allowances that large companies can claim in Central Hungary for example, and therefore in the region round Budapest?

Changes in maximum state aids available for investments in Hungary between 2014 and 2020 – What should you know?

Did you know that from 1 July there will be significant changes made to the maximum EU aid and development tax allowances that large companies can claim in Central Hungary for example, and therefore in the region round Budapest?

Previously, state aids and tax allowances were available for large corporation investments in this region up to 10% of the investment value, in Budapest, and up to 30% in the other parts of Pest county. However, the regional state aid map is set to change radically from July: from this point on, large corporation investments in Budapest and in its agglomeration that are non-preferential ones (such as Biatorbágy, Budaörs, Dunakeszi, Göd, Mogyoród, Szentendre or Törökbálint) will no longer be eligible for such financial support at all.

Compared to the previous 30%, the regional state aid intensity will fall to 20% in Solymár, Piliscsaba, Pilisjászfalu and Pilisvörösvár, while in other municipalities listed separately the intensity will rise to 35% in Dunaharaszti, Érd, Gödöllő, Halásztelek, Nagytarcsa or Vác for example.

The regional state aid intensity is set to fall by 5% in the regions of Central Transdanubia (from 40% to 35%) and Western Transdanubia (from 30% to 25%).

The regional state aid intensities for large companies effective from July 2014 (i.e. the indicator that shows the amount of state aid available expressed as a percentage of the present value of the eligible investment costs) are as follows:

Regions	Maxium aid intensities until 30 June 2014	Maxium aid intensities from 1 July 2014
Northern Hungary, Northern Great Plain, Southern Great Plain and Southern Transdanubia	50%	50%
Central Transdanubia	40%	35%
Western Transdanubia	30%	25%
Budapest	10%	0%
Abony, Alsónémedi, Áporka, Aszód, Bag, Bernecebaráti, Cegléd, Csemő, Dabas, Domony, Dömsöd, Dunaharaszti, Ecsér, Érd, Farmos, Felsőpakony, Galgagyörk, Galgahévíz, Galgamácsa, Gödöllő, Gyal, Gyömrő, Halásztelek, Hévízgyörk, Iklad, Ipolydamásd, Ipolytölgyes, Jászkarajenő, Kartal, Kемence, Kiskunlacháza, Kisémedi, Kocsér, Kóspallag, Kőröstetétlen, Letkés, Lórév, Maglód, Makád, Márianosztra, Mikebuda, Monor, Nagyörzsöny, Nagykáta, Nagykovács, Nagytarcsa, Nyársapát, Ócsa, Örkény, Pécel, Perőcsény, Péteri, Püspökháza, Püspökszilágy, Ráckeve, Szentmártonkáta, Szigetbecse, Szigetszentmiklós, Szob, Szokolya, Táborfalva, Tápióbranyó, Tápiógyörgye, Tápióság,	30%	35%

Regions	Maxium aid intensities until 30 June 2014	Maxium aid intensities from 1 July 2014
Tápiószele, Tápiószentmárton, Tápiószőlős, Tatárszentgyörgy, Tésa, Törtel, Tura, Újhartyán, Újszilvás, Üllő, Vác, Váckisújfalu, Valkó, Vámosmikola, Vecsés, Verőce, Verseg and Zebegény	30%	35%
Piliscsaba, Pilisjászfalu, Pilisvörösvár and Solymár	30%	20%
The rest of Pest county	30%	0%

In the case of small enterprises – with the exception of the transportation industry – the state aid intensity is 20 percentage points higher than the figures above, while for medium-sized companies it is 10 percentage points higher; this means a small company can claim a tax allowance or apply for aid up to no more than 20% of the value of its investment, even in Budapest, provided legal conditions are met.

This is not the only future change affecting development tax allowances: recently the Parliament accepted a modification amending the rules for development tax allowances, which contains restrictions for large corporations and typically more favourable rules for small and medium-sized enterprises.

What should you consider as soon as possible?

- » If your company is planning to implement an investment in the near future that is eligible for a tax allowance or aid, it is worthwhile examining whether **you are in a better position with the old regional state aid intensity rules or those taking effect from 1 July**, will the aid intensity change for the area in question?
- » If the old rules are better, then before the change takes effect, i.e. by 30 June 2014, it is worthwhile **registering as soon as possible** any investment that is planned in municipalities which will be removed from the list of supported municipalities from 1 July 2014, or where the state aid intensity is set to decline. Such include, but are not limited to, Budapest, Budaörs, Törökbálint, Biatorbágy, Dunakeszi, Göd, Mogyoród and Szentendre for example.
- » If the state aid intensity will be better from July and the investment has not registered yet, furthermore, there is no economic or financial obstacle to postpone it, **it is advisable to wait** with the registration and the investment until 1 July 2014 (e.g. in the case of Dunaharaszti, Érd, Gödöllő, Halásztelek and Vác).
- » As the modification accepted by the Parliament significantly alters the development tax allowance conditions (e.g. employment growth requirement, definition of qualifying investments), and it will take effect on the day following its official publication, we recommend examining the impact of these changes on the given investment before making any specific investment decisions.

The newsletter accurately reflects the statutory provisions as they stand at the time of its issue. The authors of the news articles have endeavoured to provide general information that both reads well and is professional. Given the general nature of the content and possible changes to legal regulations, please contact us if you require this information tailored to your personal circumstances.

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