

BULGARIA: INVESTMENT INCENTIVES UNDER THE 2014-2020 REGIONAL AID SCHEME

Following more than a year of discussions after the new General Block Exemption Regulation 651/2014 ("**GBER**") entered into force on 1 July 2014, in October the Bulgarian Council of Ministers has adopted amendments to the Implementation Regulation to the Bulgarian Investments Promotion Act ("**IRIPA**"). These set out the investment incentives that will be provided within the scope of regional aid for the period to 2020.

WHICH COMPANIES CAN BENEFIT FROM THE 2014-2020 REGIONAL AID SCHEME?

Regional aid is available to companies establishing a new enterprise or production plant or expanding an existing one located in Bulgaria. The whole territory of Bulgaria is covered.

Under the Bulgarian Investments Promotion Act ("**IPA**") investment projects should be certified by the Ministry of Economy to benefit from the investment promotion measures under IPA. Depending on the amount of the investment in eligible costs the projects may be certified as 'class A', 'class B' or 'priority' investments. To qualify for certification, the investment in tangible and intangible assets should be combined with employment of a certain number of Bulgarian citizens.

Investors should apply for certification before implementation of the investment project starts. Investors are entitled to apply for certification even before completion of the incorporation of an local entity in Bulgaria.

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Companies whose projects have been certified as 'class A' or 'class B' investments in Bulgaria may benefit from one or more of the following incentives:

- individual administrative support by an officer of the Bulgarian Agency of Investments;
- shortened terms for completion of administrative procedures;
- acquiring title or other rights in rem without tender;

- financial aid for construction of elements of technical infrastructure;
- financial aid in the amount of up to 25% of the eligible costs for training and professional qualification of employees, including interns from the national universities;

The amendments in IRIPA will allow more investors to benefit from this incentive as the minimum number of employees suggested for training is lowered from 50 to 30 employees and the financial aid will be provided not only for specific trainings but also for general training and professional qualification programmes. The total amount of the financial aid for training and professional qualification may not exceed EUR 2 million.

- financial aid for compensation of expenses made for health and social security contributions for the employees occupied in the implementation of the investment project (approx. 17.8% of the gross salary of each employee).

Under the amendments in IRIPA the financial aid for health and social security contributions will be provided for a period of up to 24 months for projects implemented in the territory of municipalities in which the unemployment rate reported for the last year exceeded the average rate for Bulgaria. For investment projects in other municipalities this financial aid may be extended for a period of up to 12 months.

Some 'priority' investments may be eligible to obtain additional incentives depending on the level of financial investment in tangible and intangible assets.

MAXIMUM INTENSITY

The maximum intensity of the financial aid that may be granted in the form of various investments under IPA and the amended IRIPA is decreased to not more than 25% of the eligible costs for investment projects implemented in the South-western region¹ of Bulgaria in accordance with the 2014-2020 Regional State Aid Map for Bulgaria approved by the European Commission.

The maximum intensity of the financial aid that may be granted for investments in all other regions in Bulgaria remains, as in the previous programme period, up to the amount of 50% of the eligible costs for the investment project. The lower maximum intensity for the South-western region is due to the increased GDP per capita rates for this region that have reached about 75% of the EU-27 average rates mainly due to the GDP generated in the region of the capital Sofia.

¹ *The South-western region includes the municipalities of the capital Sofia-city, Sofia region, Blagoevgrad region, Pernik region and Kustendil region*

Obtaining the incentives under the regional state aid map does not prevent an investor to benefit from any other incentives generally applicable in Bulgaria, e.g. incentives for promotion of employment of older adults and corporate income tax reliefs. Such generally applicable incentives are not calculated in the maximum intensity of the aid that a project is entitled to.

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