

INCENTIVE SYSTEM FOR STRATEGIC INVESTORS INVESTMENTS IN MANUFACTURING INDUSTRY

ITD Hungary supports investment projects exceeding EUR 10 million with a one-stop-shop service. Within this service we offer VIP treatment and full information on potential subsidies for investment projects.

The incentive package may contain the following elements:

- (1) cash subsidy decided individually by the Hungarian Government***
- (2) development tax allowance***
- (3) training subsidy***
- (4) job creation subsidy***

Tenders co-financed by the European Union

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1. CASH SUBSIDY DECIDED INDIVIDUALLY BY THE HUNGARIAN GOVERNMENT

CONDITIONS

(Exchange rate: 270 Ft/EUR)

1. Investment volume

- For manufacturing projects **at least EUR 10 million** (appr. HUF 2.7 billion)

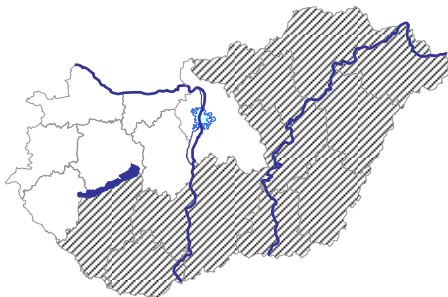
*Please note: If an investment project of **EUR 10-25 million** (appr. HUF 2.7-6.75 billion) is eligible to apply for EU co-financed tenders, the direct subsidy is replaced with the tender option.*

2. Job creation potential

Investment volume	In non-preferred regions (min.)	In preferred regions (min.)*
> EUR 50 million (HUF 13.5 billion)	100	50
EUR 10 - 50 million (HUF 2.7-13.5 billion)	50	25

* Preferred regions:

Northern Hungary, Great Hungarian Plain (North and South), South Transdanubia



The application is effected by submitting a „request list“ to ITD Hungary.

AMOUNT OF SUBSIDY

The level of the subsidy is decided individually by the Hungarian Government.

PROVIDER OF THE INCENTIVE

Ministry for National Development and Economy, with the mediation of ITD Hungary

PROCEDURE OF DIRECT SUBSIDY GRANTED BY THE HUNGARIAN GOVERNMENT

1. Step – Submission of application to ITD Hungary

- Application form is attainable at ITD Hungary.
- After evaluating the eligibility, the investor receives a letter of confirmation from the Minister of National Development and Economy (i.e. the investment may start).

2. Step – Preparation of the subsidy offer

- ITD Hungary evaluates the project based on the investment value, technology level, job creation potential and other criteria.
- Economic Cabinet decides on the amount of subsidy.

3. Step – Finalizing the incentive agreement

- Investor receives the subsidy offer from ITD Hungary, which needs to be confirmed within 3 months.
- Investor and ITD Hungary finalize the incentive agreement.
- If investment volume exceeds EUR 100 million and the subsidy to be granted is higher than EU threshold for the respective region, pre-approval of the European Commission is needed.
- The Hungarian Government approves the draft incentive agreement.
- Investor and the Minister of National Development and Economy sign the incentive agreement.

4. Step – Financial implementation and monitoring

- Subsidy payment is effected (subsequently, based on invoices submitted).
- Monitoring period (for 5 years – in case of SMEs for 3 years – regarding contractual commitments).

2. DEVELOPMENT TAX ALLOWANCE

This is a normative subsidy available in all regions of Hungary, meaning that in case the investment fulfils the requirements of the subsidy it will receive it automatically.

AMOUNT OF SUBSIDY

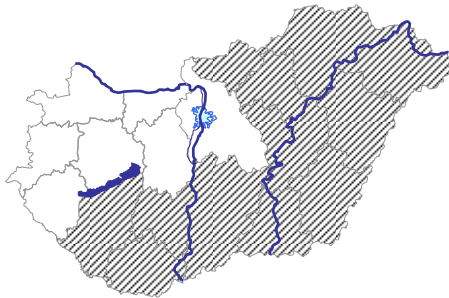
Investor receives exemption for 80% of the corporate tax payable for 10 years following the completion of the project.

CONDITIONS

1. Investment volume and job creation

A) Investment volume of at least HUF 3 billion (app. EUR 11.1 million) at present value AND	an increase in headcount of at least 150 OR
	increase of yearly wage cost is 600 times the annual minimum wage (HUF 529 million, app. EUR 1.96 million)
B) Within the territory of preferred local governments an investment volume of at least HUF 1 billion (app. EUR 3.7 million) at present value AND	an increase in headcount of at least 75 OR
	increase of yearly wage cost is 300 times the annual minimum wage (HUF 265 million, app. EUR 0.98 million)

* Preferred local governments are located in Northern Hungary, Great Hungarian Plain (North and South), South Transdanubia



The project implemented by **small or medium sized enterprise (SMEs)** is eligible, if

- investment volume reaches HUF 500 million (app. EUR 1.85 million) at present value **AND**
- in case of medium-sized companies an increase in headcount of at least 50 **OR** increase of yearly wage cost is 100 times the annual minimum wage (HUF 88 million, app. EUR 0.32 million).
- in case of small companies an increase in headcount of at least 20 **OR** increase of yearly wage cost is 50 times the annual minimum wage (HUF 44 million, app. EUR 0.16 million).

2. Registration, application

- If the investment volume **does not reach EUR 100 million** at present value a registration form needs to be submitted to the Ministry of Finance. The allowance is granted on a non-discretionary basis.

- If the investment volume **exceeds EUR 100 million** at present value an application needs to be submitted to the Ministry of Finance, resolution is taken within the Ministry.

Registration and application forms must be submitted in Hungarian language. ITD Hungary may offer assistance in completing the relevant forms.

PROVIDER OF INCENTIVE

Ministry of Finance

3. TRAINING SUBSIDY

This subsidy is granted in all regions of Hungary. This subsidy **is above the maximum intensity ratio** fixed by the European Union.

Amount of subsidy: 25-90% of eligible training costs, max. EUR 1 million (HUF 270 million) if job creation is between 50-500, max. EUR 2 million (HUF 540 million) if job creation >500

CONDITIONS

Cash subsidy based on individual Government decision is granted; **min. 50 new jobs** are created

The maximum intensities referred to above shall be **increased by a maximum of 10 percentage points** if the training is given to disadvantaged workers, proportionally with their number.

PROVIDER OF INCENTIVE

Ministry of Social Affairs and Labour

PROCEDURE OF THE TRAINING SUBSIDY

1. Step – Submission of application

- Subsidy application is initiated by ITD Hungary, which needs to be confirmed by the investor by sending a letter of intent to the attention of the Minister of Social Affairs and Labour.
- The Ministry of Social Affairs and Labour signs a framework agreement with the investor.

2. Step – The subsidy offer

- Investor submits full documentation and its annexes (cost calculation, training plan, statements) to the Ministry of Social Affairs and Labour.
- The Minister of Social Affairs and Labour decides about the incentive within 30 days.

3. Step – Finalizing the incentive agreement

- Within 30 days the investor and the Ministry of Social Affairs and Labour sign an incentive agreement.

4. JOB CREATION SUBSIDY

CONDITIONS

Applicable to projects if

- individual cash subsidy is granted by the Hungarian Government;
- located in Northern Hungary, Great Hungarian Plain (North and South), South Transdanubia and less and least developed micro-regions* and localities of other regions;
- job creation exceeds 500 in less developed, or 200 in least developed micro-regions;
- the ratio of registered unemployed within total job creation exceeds 50% in less developed, or 30% in least developed micro-regions.

Northern Hungary, Great Hungarian Plain (North and South), South Transdanubia and less and least developed micro-regions and localities of other regions



AMOUNT OF SUBSIDY

Subsidy per investment

- **HUF 260 million** (app. EUR 0.96 million) if headcount increases at least by 500
- **HUF 160 million** (app. EUR 0.59 million) if headcount increases at least by 300
- **HUF 80 million** (app. EUR 0.30 million) if headcount increases at least by 200

PROVIDER OF INCENTIVE

Ministry of Social Affairs and Labour

PROCEDURE OF THE JOB CREATION SUBSIDY

2. Step – Submission of application

- Subsidy application is initiated by ITD, which needs to be confirmed by the investor by sending a letter of intent to the attention of the Minister of Social Affairs and Labour.
- After evaluating the eligibility, investor receives a joint letter of confirmation (also including direct aid) from the Minister of National Development and Economy.

2. Step – Finalizing the incentive agreement

- Investor forwards a copy of the incentive agreement (on direct aid) signed with Minister of National Development and Economy to the Ministry of Social Affairs and Labour.

- Investor and the Minister of Social Affairs and Labour sign the agreement on the job creation subsidy.
- Investor and the Regional Labour Center sign the technical agreement on payment.

3. Step – Financial implementation and monitoring

- Subsidy payment is effected (subsequently, based on invoices submitted).
- Monitoring period (for 5 years – in case of SMEs for 3 years – regarding contractual commitments).

TENDERS CO-FINANCED BY THE EUROPEAN UNION

GOP-2.1.3. Complex subsidisation of high employment investment projects

Aim	For projects implemented in Hungary except Central-Hungarian region
Conditions	<ul style="list-style-type: none"> • minimum 25 new direct job creation • minimum project volume: HUF 1500 million (appr. 5.5 million EUR) Note: gross wages and contributions for 24 months are part of the project volume
Eligible costs	Both tangible/intangible assets and personal related costs for 24 months
Amount of incentive	5-35 % of the eligible costs , depending on the project details (as described by the tender description) 200 – 1 500 million HUF
Submission deadline	31 December 2010
Application	At the Hungarian Center for Economic Development (MAG Zrt) by submitting a tender package in Hungarian language
Further information	Available at http://www.nfu.hu/ (in Hungarian language only)

GOP – 2010 - 2.1.2. Complex subsidisation of projects in the territory of the 33 most preferred micro regions

Aim	For projects implemented in the territory of the 33 most preferred micro regions
Conditions	Minimum project volume: HUF 40 million (appr. 150 thousand EUR)
Eligible costs	Both tangible/intangible assets, building, consulting costs (as described by the tender description) Note: only costs of new machines are eligible
Amount of incentive	Maximum 50 % of the eligible costs, depending on the project details (as described by the tender description) HUF 20 – 500 million
Application	At the Hungarian Centre for Economic Development (MAG Zrt) by submitting a tender package in Hungarian language from 25 May, 2010 until 31 December 2010
Further information	Available at http://www.nfu.hu (in Hungarian language only)

GOP-2.1.4/K contributes to the spread of environmental aspect and environmental friendly technologies at companies

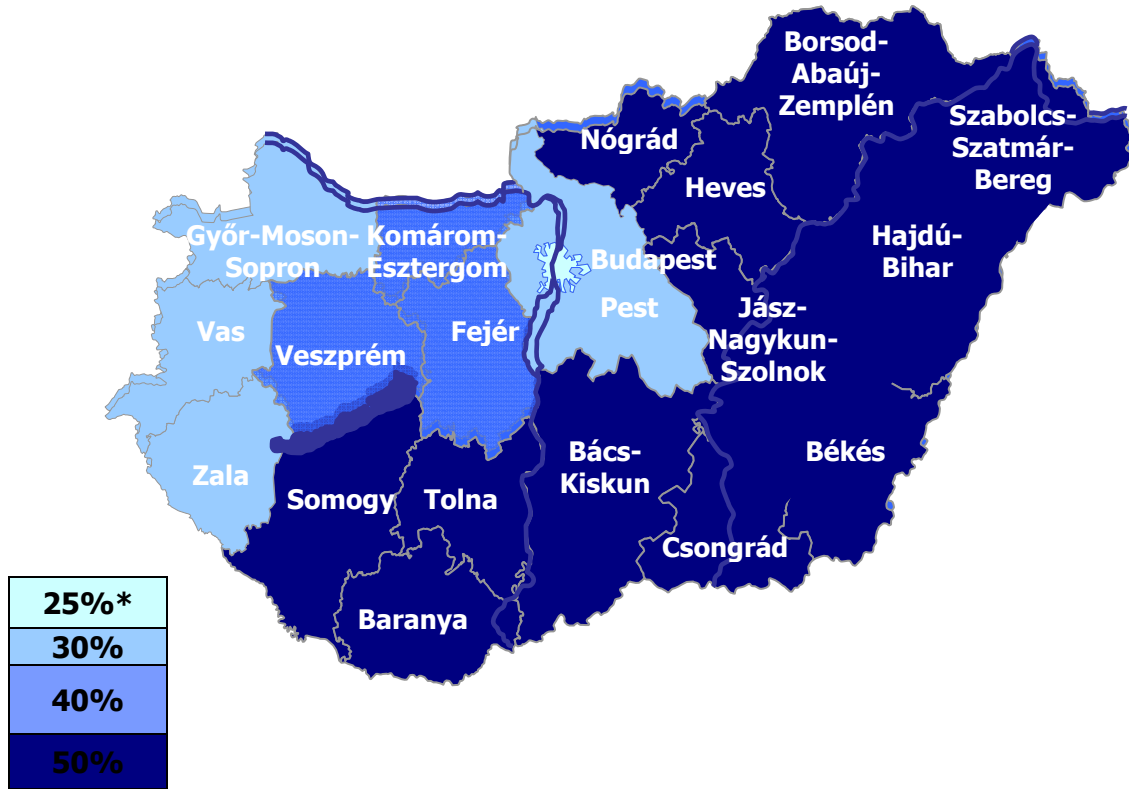
Aim	Direct reduction of negative environmental impact through technology development of enterprises. Increase of utilisation efficiency of water, energy and other raw materials.
Conditions	<ul style="list-style-type: none"> Companies with double-entry bookkeeping, co-operatives, entrepreneurs
Supportable activities	<ul style="list-style-type: none"> Energy and material efficient, low waste and low emission technologies, best available technologies, environment friendly packaging technology, technologies with renewable and secondary raw materials: <ul style="list-style-type: none"> Machinery, investment in infrastructure, licence, know-how, IT development Marketing, consultancy, ISO, ISO-type and ERP systems Training and education on sustainable development <p>Both tangible/intangible assets and personal related costs (as listed on the tender description)</p>
Amount of incentive	<ul style="list-style-type: none"> Maximum 50% for SMEs Maximum 30% for large companies HUF 5 – 125 million (~EUR 0.02 million – EUR 0.5 million)
Submission of tender applications	From 1 March 2010 to 31 August 2010
Application	At the Hungarian Centre for Economic Development (MAG Zrt) by submitting a tender package in Hungarian language
Further information	http://www.nfu.hu/doc/4

The above subsidies may be applied for at the Hungarian Center for Economic Development (MAG Zrt) by submitting the tender package (to be completed in Hungarian language).

PROVIDER OF INCENTIVE

National Development Agency

MAXIMUM INTENSITY RATIOS



* 10% from 2011

Maximum intensity ratio is increased by **10 percentage points** for medium-sized and by **20 percentage points** for small enterprises.

APPLICABLE LAWS & REGULATIONS

GENERAL LAWS

- Act XXXVIII of 1992 on Public Finances
- Government Decree 217/1998 (XII. 30.) on Public Finance Procedures
- Act CXXX. of 2009. on the Budget of Year 2010 of the Republic of Hungary
- Act IV of 1959 on the Civil Code of the Republic of Hungary
- Act XCII of 2003 on the Rules of Taxation
- Act C of 2000 on Accounting
- Act XXII of 1992 on the Labour Code
- Act LXXV of 1996 on Labour Control
- Government Decree 85/2004 (V. 19.) on the Procedures of Granting State Aid and the Regional Aid Map Pursuant to Section (1) of Article 87 of the Treaty Establishing the European Community
- European Commission Decree 1628/2006/EK on the Application of National Regional Investment Incentives Contained in Articles 87 and 88 of the Treaty Establishing the European Community
- EC Guideline for National Regional Aid for 2007-2013 (2006/C 54/08) 2007-2013

1. CASH SUBSIDY DECIDED INDIVIDUALLY BY THE HUNGARIAN GOVERNMENT

- Ministry of Economy and Transport Decree 8/2007 (I. 24.) on the Provisions for Granting State Aid Based on Individual Government Decisions

2. DEVELOPMENT TAX ALLOWANCE

- Act LXXXI of 1996 on Corporate Tax and Dividend Tax
- Government Decree 206/2006 (X. 16.) on Development Tax Incentives

3. TRAINING SUBSIDY

- Ministry of Social Affairs and Labour Decree 15/2007. (IV. 13.) on the Provisions for Incentives Granted for Adult Education from the Labour Market Fund

4. JOB CREATION SUBSIDY

- Ministry of Labour Affairs Decree 6/1996. (VII. 16.) on Employment Incentives and Incentives for the Treatment of Employment Crisis from the Labour Market Fund
- Annexes of Government Decree 64/2004. (IV. 15.), Government Decree 240/2006. (XI. 30.) and Act of 2004. CVII.