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# Greenfield investments in CEE

Seventh edition

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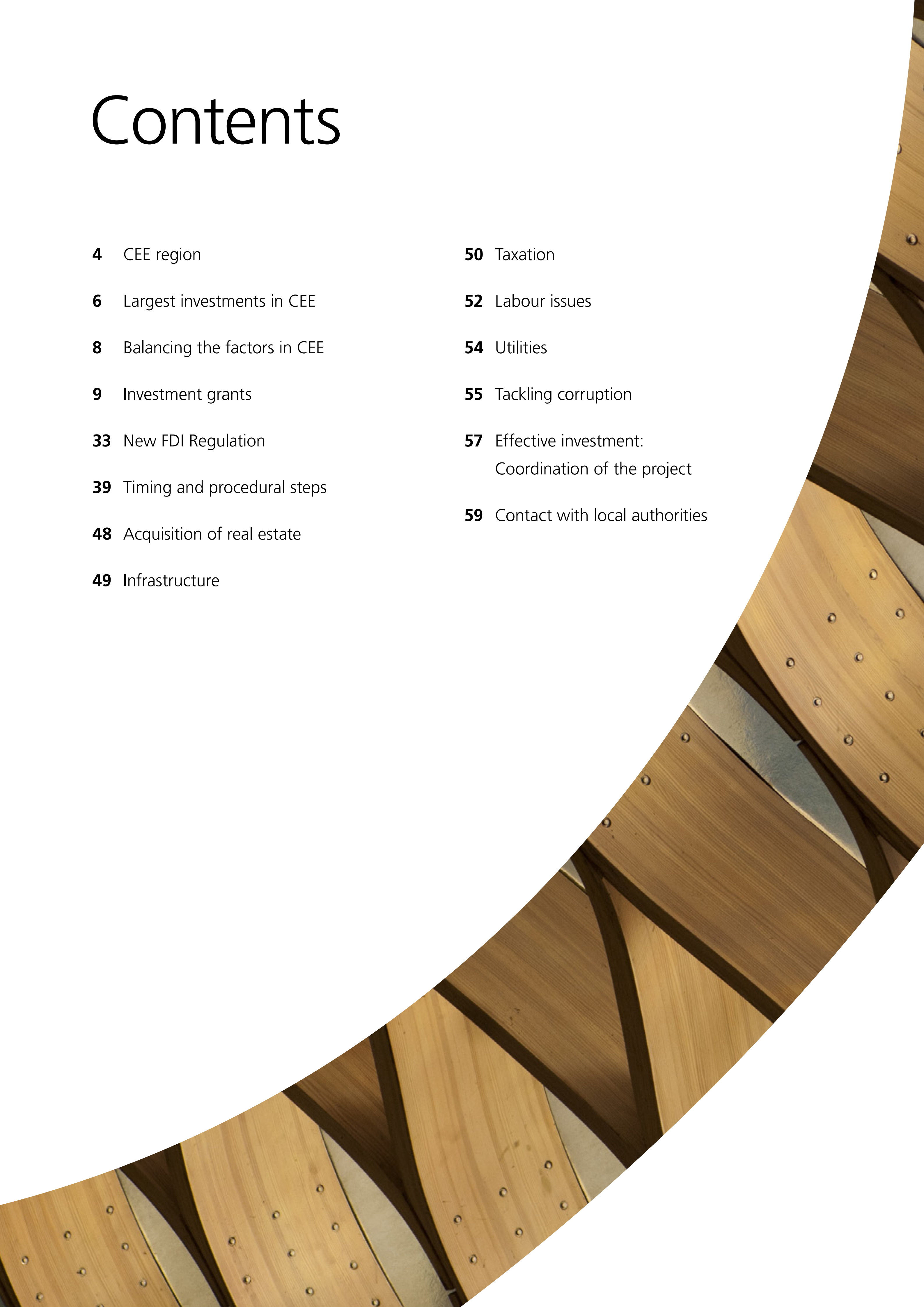

# CEE region

### Issues to consider when making a greenfield investment in CEE

We are pleased to publish this seventh edition of our Guide to Greenfield Investment in Central and Eastern Europe ("CEE"). The guide provides up-to-date information on issues that investors should be aware of when investing in leading countries in the region, namely Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Türkiye and Ukraine.

In particular, the guide provides up-to-date and accurate information on the incentives available in each country and the commitments that investors need to make in order to obtain them. The guide also sets out key real estate, competition, infrastructure, tax and employment issues.

Since the early nineties the CEE region has attracted a substantial proportion of the manufacturing investment made by companies in Europe. Companies were attracted by a variety of factors, including, in particular, lower labour costs. In 2022 alone we have seen a wave of new investments being announce from companies such as Volvo Cars, Nokian Tyres and CATL. A significant proportion of this has been in the automotive and renewable energy sectors.

We expect significant new investment to be announced during the course of 2023 and subsequent years. This will be driven by a number of trends as follows:
A desire by European companies to "nearshore". Many companies have had supplies of goods and components disrupted by transportation difficulties and Covid lockdowns in China. There is now a concern about tensions between China and Taiwan. Consequently a number of multinationals are now contemplating moving production to Europe.

There is a desire by Chinese companies to expand into new markets. Many Chinese companies, particularly in electronics and automotive sectors need to expand outside China in order to keep growing. We have already seen announcements from companies such as Geely, GWM and BYD on European launches. In many cases there is a strong likelihood that European production will follow.

There is a discernable drive throughout most of Europe towards renewable energy sources – this will entail the production of substantial quantities of equipment, both for domestic and commercial installations.
Move to EVs –it appears unlikely that combustion engine vehicles will be sold in the EU after 2035. Most car manufacturers are moving towards new electrified ranges of cars. Often this entails new production plants, as well as separate manufacturing facilities for battery production.

All of these factors will mean that many investors are likely to wish to establish further production facilities in CEE. However, notwithstanding the many challenges of the region, investors should be aware of some of the challenges. The labour cost advantage is narrowing. Countries such as Poland, the Czech Republic and Slovakia have seen significant increases to average wages over the last few years. Labour shortages are also an issue that investors have to contend with.

There is strong competition between the different states and their respective investment agencies. International companies wishing to invest in the CEE region will inevitably look at different markets before selecting a suitable location. It is often worth holding beauty parades, seeking offers from investment agencies in different countries and then running parallel investment processes in order to obtain the best offer.

CMS is a full-service law firm with more lawyers and more offices in the CEE region than any other firm. We have extensive experience in all the countries covered by this report and in each market we have helped large numbers of businesses with investment into greenfield operations. The services that we provide range from assistance with initial site selection through to applying to the European Commission for approval of state aid. We are happy to introduce potential investors to investment agencies around the CEE region.

The information in this guide is accurate as of 1 February 2023. However laws can change. We recommend taking full legal advice before making any investment decision.

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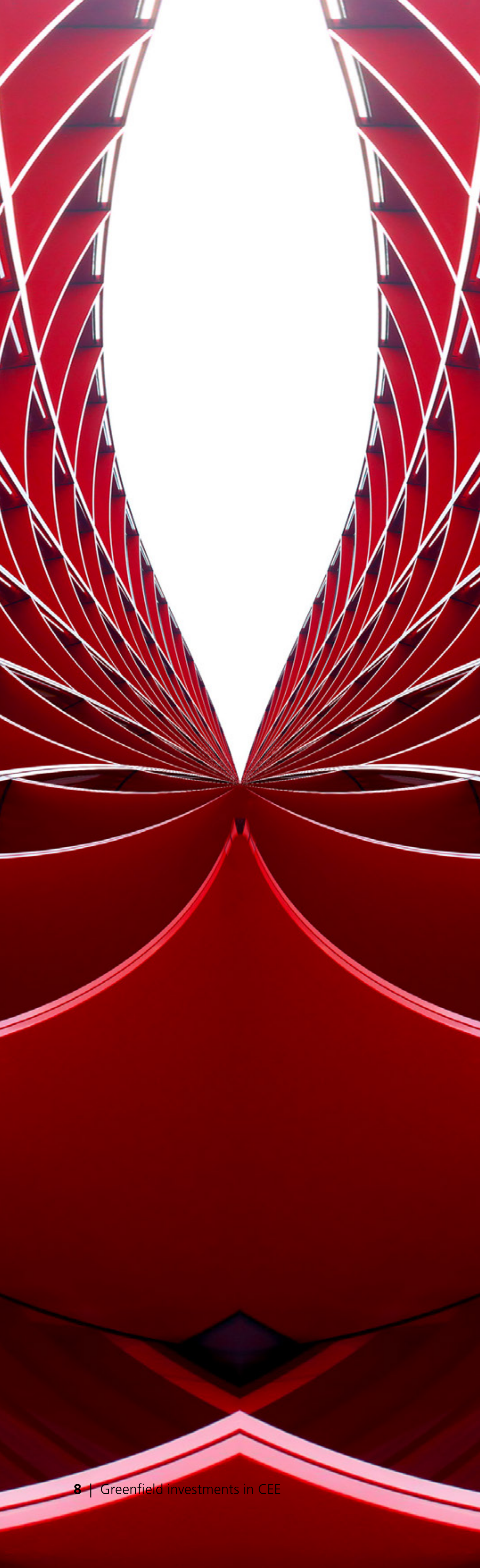
## Five reasons to invest in CEE

1. Well-educated labour force and lower labour costs than in western Europe.
2. Tax exemptions and preferences for investors.
3. The region benefits from EU structural funds and multiple national investment grants.
4. Rapidly developing infrastructure with good transport links to western Europe and beyond.
5. Significant and growing domestic markets.

# Largest investments in CEE

| Region | Machinery | IT & Telecoms | Shared Services Centres |
|---|---|---|---|
| **Bulgaria** | Ixetic, Lufthansa Technik, Montupet, Palfinger, SKF, Yazaki Corporation, Teklos, MD Elektronik, Leoni, Voss Automotive | ICB, CISCO, Microsoft, HP, VMWare, Google | Coca-Cola Hellenic Bottling Company, HP, AIG, World Bank |
| **Czech Republic** | Walbo Engineering, Stora Enso WP HV, Precision Castparts | – | – |
| **Hungary** | Apollo, Hankook, Continental, Bridgestone, Ibiden, Knorr-Bremse, Denso | IBM, ZTE, SAP, Oracle, Huawei, Nokia | British Telecom, BP, Vodafone, National Instruments, Emirates, IBM, Morgan Stanley, Tata, General Electric, Diageo |
| **Poland** | Faurecia, Nexteer Automotive, TRW, Delphi, Valeo, Hutchinson, Michelin, Bridgestone, Goodyear, Pilkington, Johnson Controls, Lear Corporation | IBM, Asseco, Comarch, Ericpol | Shell, Electrolux, HP, Nokia, Heineken, Carlsberg, Credit Suisse |
| **Romania** | Continental, Goodyear, Faurecia, Delphi | Microsoft, Oracle, ZTE, Huawei, IBM, Nokia, Orange, Ericsson, HP, Liberty Global, Deutsche Telekom, Samsung, Omnilogic, Liberty Global, Deutsche Telekom, Samsung, Omnilogic | Booking,com, Amazon, Accenture, Vodafone, Deutsche Bank, Allianz, Societe Generale Europe Business Services, Huawei Global Business Services Centre, British American Shared Services Europe (BAT) |
| **Slovakia** | INA Kysuce, Getrag Ford Transmissions, INA Skalica, Vaillant Industrial Slovakia, Continental Automotive Systems | Dell, IBM, HP, ESET, Sygic | Dell, IBM, Hewlett-Packard, AT&T, Lenovo, Accenture, JCI, NESS |
| **Türkiye** | Airbus, Thyssenkrupp, Mitsubishi, Mahindra Rise, IHI Corporation, Putzmeister | Foxconn, CISCO, ZTE, Microsoft, IBM, SAP, Huawei, Vodafone | – |
| **Ukraine** | PET Technologies, Petroteq Energy | EVRY (EDB), RapidAPI, Uber Technologies, Ubisoft Entertainment, CloudFlare, Huawei Technologies, Snap | VEON (VimpelCom) |

| Electrical Engineering/ Electronics | Automotive | Lifesciences | R&D |
|---|---|---|---|
| Liebherr, ABB, Siemens, Honeywell, Hyundai Heavy Industries, Schneider Electric | Witte Automotive, Sumitomo Electric, Yazaki Corporation | Pharmaceutical Product Development, TEVA Pharmaceuticals | – |
| Elpro-Energo Transformers | ZF Automotive, Brembo, Hilite | BOCHEMIE, EXBIO | BMW Mobility Development Center |
| Samsung, Flextronics, Philips | Audi, Suzuki, Daimler – Benz, Bosch, General Motors, BMW, ThyssenKrupp | GE Healthcare, Johnson & Johnson, Becton Dickinson, TEVA, Sanofi, Sauflon | Becton Dickinson |
| LG Display Poland, Jabil, Sharp, Funai, LG Electronics, Alcatel-Lucent, Kimball Electronics, Flextronics International, Dell | Volkswagen, Fiat Auto, General Motors, Ford, Autodoc | GlaxoSmithKlein, Bayer CorpScience, GenMed | NSN, Motorola, Samsung, Delphi, Rockwell Automation, Faurecia, Delphi, Valeo, Google, Capgemini, Oracle, Unilever |
| ABB, Siemens, Honeywell, Samsung, Phillips, LG Electronics, Alcatel-Lucent, Bosch, Huawei | Renault, Autoliv, Ford, Daimler, Draxlmaier, Bosch, Continental, Porsche, Mercedes Benz, Faurecia, Pirelli | GSK, Glenmark, Aspen, Novartis, Pfizer, Roche, Novartis, Amgen, Astellas, Zentiva, GE Healthcare | Oracle, Unilever, Renault, Porsche, Continental, Siemens, Nokia, Amazon, Bristol-Myers Squibb |
| Samsung Electronics, Whirlpool, Foxconn, Panasonic Electronic Devices Emerson Electric Slovakia, Emerson | Volkswagen, KIA Motors, PSA Peugeot Citroen, Jaguar Land Rover, Volvo Cars | Elfa Pharma, GSK, Low&Bona | Johnson Controls, ON Semiconductor, Leoni, BSH, ThermoSolar, Sauer Danfoss, Krauss Maffei, Ness, Siemens, Alcatel-Lucent, Mühlbauer, Continental Automotive Systems |
| Bosch, Huawei, Siemens, Sony, LG | Fiat Chrysler Automobiles, Ford, Hyundai, Toyota, MAN, BMW, PSA Peugeot-Citroen, Renault, Mercedes, Daimler | Novartis, Pfizer, GSK, Bayer, Sanofi-Aventis, Unilever, Abbott, Allergan, Amgen | Microsoft, Ford, Fiat, Daimler, AVL |
| Vestas Wind Systems | | | |



# Balancing the factors in CEE

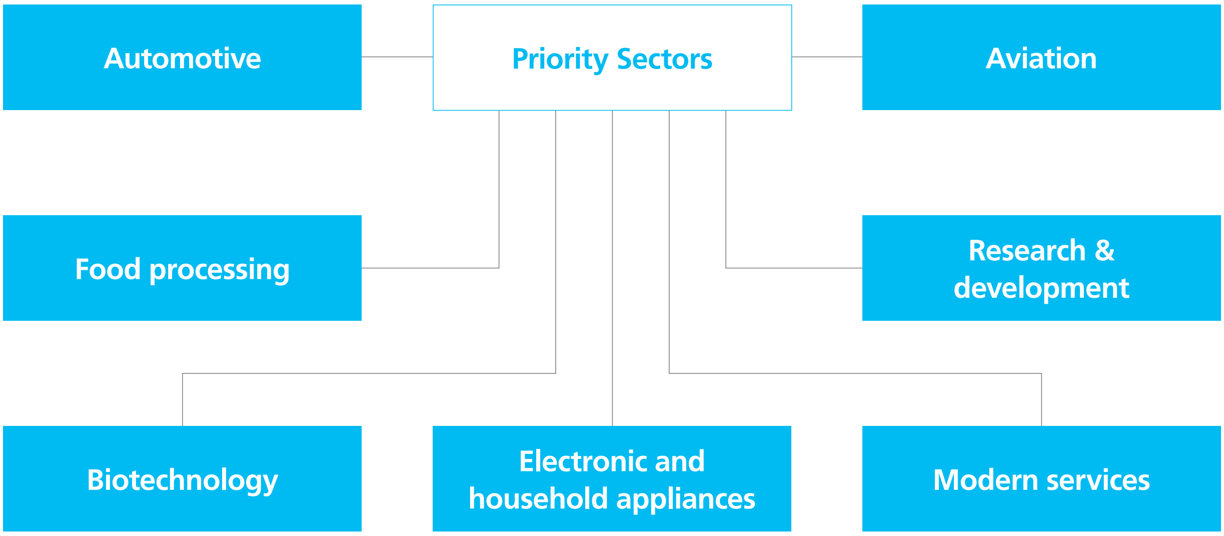
Potential investors need to take into account a variety of factors in choosing a location. Many of these factors are covered in this guide, e.g. investment grants, tax incentives, land purchase issues, employment law etc.

It is rarely the case that an investment will be made on the basis of a single set of criteria. For example, the tax regime on its own should rarely be a sole determinant. Governments change,
as do tax regimes. Likewise, labour costs have increased in some markets over the last few years and are likely to continue to do so, although claims that there will be convergence with Western Europe in the coming decades may be wide of the mark.

**Key Issues**

- **Timing**
- **Investment grant**
- **Infrastructure**
- **Availability of real estate**
- **Taxation**
- **Labour**

# Investment grants




## EU rules

Generally, under EU law it is prohibited to grant any kind of incentives that may affect competition and trade between Member States. However, there are a number of exceptions from this general rule, allowing the granting of aid for research and development, training, the creation of employment and environmental protection. There are also certain exemptions from the general prohibition, to facilitate the development of certain business areas or activities. This permit is known as sectoral aid. Current priority sectors for such sectorial aid are set out in the table above.

Furthermore, regional aid is permitted to promote economic development in areas where the standard of living is abnormally low or where serious unemployment (compared to the EU average) occurs. The intensity of aid will depend on which region the investor chooses.

As many of the countries in CEE are less economically developed than their western European counterparts, aid is often permissible under EU law to encourage development within regions. It is generally the case that aid tends to be more generous away from major conurbations. For example, in Poland, aid generally will not be available for investments in the Warsaw region but will be available for investment in the east of the country, where unemployment tends to be high.

The table below presents the range of maximum level of aid in regions within EU CEE countries[1]:

### Bulgaria

- **20%** – Yugozapaden region
- **50%** – Other regions

### Czech Republic

- **0%** – Prague
- **40%** – North-West Cohesion Region

### Hungary

- **30%** – Central Transdanubia and the planning-statistical region of Western Transdanubia
- **50%** – Southern Great Plain, Southern Transdanubia, Northern Great Plain, Northern Hungary and the planning-statistical region of Pest

### Poland

- **0%** – Warsaw (please note that there are a few exceptions in the Warsaw region with 25% and 35% aid)
- **50%**[2] – Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie, Warmińsko-Mazurskie, Siedlce sub-region in Mazovia

### Romania

- **45%** – Ilfov
- **60%** – 7 regions: North-West, Central, North-East, South-East, South-Muntenia, South-west Oltenia and West

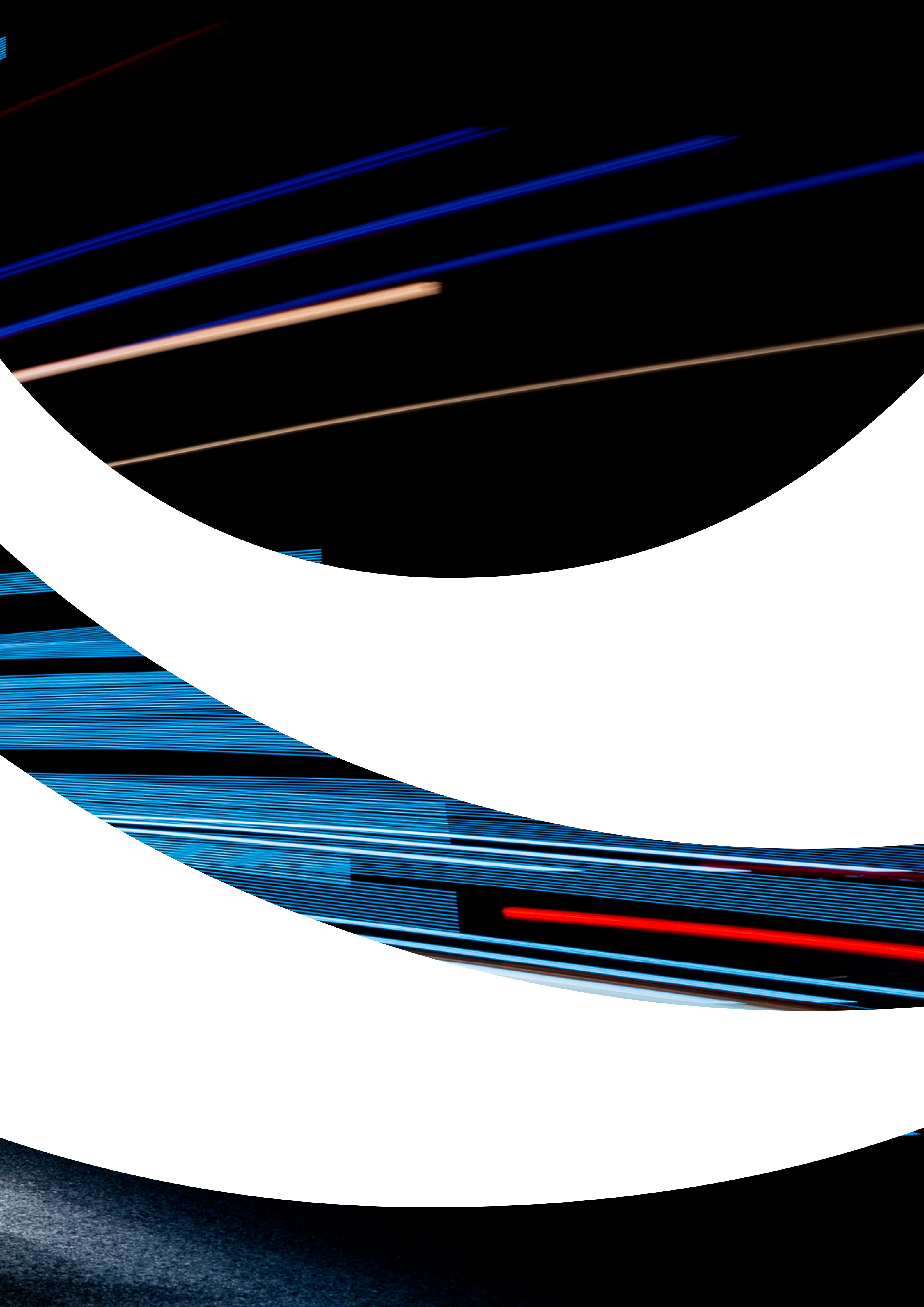
### Slovakia

- **30%** – Western Slovakia (please note that the Bratislava region is excluded entirely)
- **50%** – Eastern Slovakia
- **40%** – Central Slovakia

The maximum amount and form of support varies from country to country. We set out below a summary of the main support available in each country.

[1] Based on Regional Aid Map for each country approved for the years 2022-2027.

[2] Support for medium and small/micro enterprises is increased by 10 and 20 percentage points respectively.



# Bulgaria

In Bulgaria there are two main categories of support – (A) employment subsidies (i) as cash grants to enable existing and/or new employees to obtain further qualifications and/or (ii) reimbursement of actually paid by the employer social security and health insurance contributions for the creation of new employment, and (B) support for new investment by way of cash grants for the acquisition of assets and/or building infrastructure. There is also a third category of support, which is available with either of the above. This comprises enhanced administrative support whereby licenses, permits, etc. relevant to a certified investment project are processed with priority. Investment projects are classified as Class A and Class B according to mainly quantitative criteria such as the minimum number of new jobs and minimum investment expenditures, as set out in the tables below. The minimum investment expenditures are decreased if certain minimum levels of new jobs are created. Lower investment expenditure and job creation requirements (marked with a footnote in the table below) apply also where the investment project is implemented entirely in municipalities with unemployment levels that are higher or equal to the country average unemployment level.

## Employment subsidies and support for new investment with minimum required job creation

### Required level of investment and job creation

**Processing industry**

| | Class A | Class B |
|---|---|---|
| Minimum new jobs created | 150<br>25[1] | 100<br>10[1] |
| Minimum investment expenditures | BGN 4m | BGN 2m |

**High-tech industry sectors:**
Automotive, biotechnology, chemicals, pharmaceutical, electronics incl. household appliances, medical appliances

| | Class A | Class B |
|---|---|---|
| Minimum new jobs created | 25 | 10 |
| Minimum investment expenditures | BGN 4m | BGN 2m |

**Business support services, including shared service centres (accounting, finance, call centres, etc.)**

| | Class A | Class B |
|---|---|---|
| Minimum new jobs created | 150<br>25[1] | 100<br>25[1] |

**High-tech services:**
IT services, software development, R&D, healthcare services

| | Class A | Class B |
|---|---|---|
| Minimum new jobs created | 50 | 25 |

### Available support

Level of grants for job creation (the figures below apply to all sectors)

**25%**

of training costs
(but not more than EUR 2m)

**17.5%**

of actual payroll costs (available for a maximum period of 24 months)

[1] Lower investment expenditure and job creation requirements apply where the investment project is implemented entirely in municipalities with unemployment levels that are higher or equal to the country average unemployment level.

| Class A | Class B | Class A | Class B |
|---|---|---|---|
| BGN 1m | BGN 0.5m | BGN 1m | BGN 0.5m |
| Minimum investment expenditures | | Minimum investment expenditures | |

## Employment subsidies and support for new investment without minimum required job creation

### Required level of investment and job creation

**Processing industry**

| Class A | Class B |
|---|---|
| <150 | <100 |
| Minimum new jobs created | |
| BGN 10m<br>BGN 4m[1] | BGN 5m<br>BGN 2m[1] |
| Minimum investment expenditures | |

**High-tech industry sectors:**
Automotive, biotechnology, chemicals, pharmaceutical, electronics incl. household appliances, medical appliances

| Class A | Class B |
|---|---|
| <150 | <100 |
| Minimum new jobs created | |
| BGN 4m | BGN 2m |
| Minimum investment expenditures | |

**Business support services, including shared service centres (accounting, finance, call centres, etc.)**

| Class A | Class B |
|---|---|
| <150 | <100 |
| Minimum new jobs created | |
| BGN 3m | BGN 1.5m |
| Minimum investment expenditures | |

**High-tech services:**
IT services, software development, R&D, healthcare services

| Class A | Class B |
|---|---|
| <150 | <100 |
| Minimum new jobs created | |
| BGN 2m | BGN 1m |
| Minimum investment expenditures | |

### Available support

Level of grants for job creation (the figures below apply to all sectors)

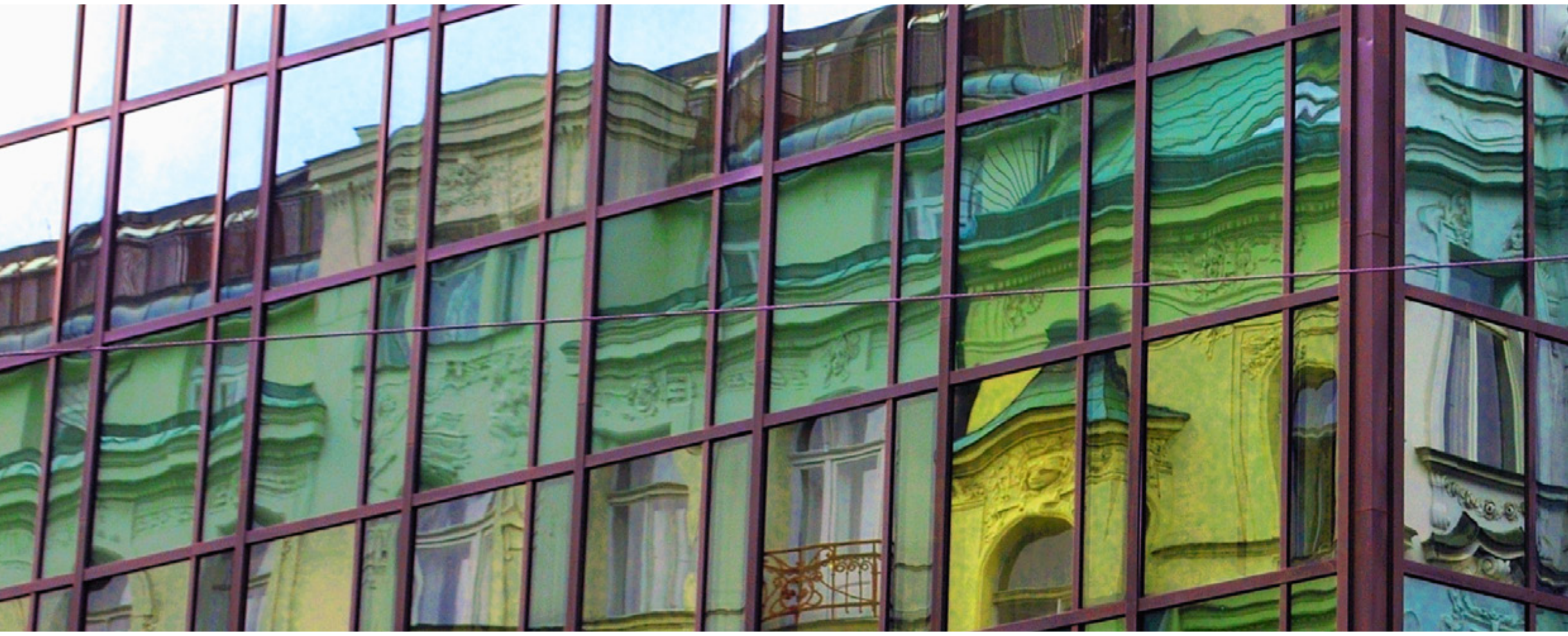
**25%**

of eligible costs
(but not more than EUR 18.75m for the Yugozapaden region)

**50%**

of eligible costs
(but not more than EUR 37.5m for the rest of Bulgaria)

[1] Lower investment expenditure and job creation requirements apply where the investment project is implemented entirely in municipalities with unemployment levels that are higher or equal to the country average unemployment level.



# Czech Republic

In the Czech Republic there are four categories of support – (i) corporate income-tax relief, (ii) cash grants for job creation, (iii) cash grants for training and retraining and (iv) cash grants for purchase of fixed assets.

## Available support

The maximum amount of support is calculated as a percentage of all eligible costs combined with the maximum permissible level of public aid for an investment project.

The maximum permissible level of public aid for an investment project to promote economic development in the following areas where the standard of living is abnormally low or where there is serious underemployment:

**30%**
the Moravian-Silesian Cohesion Region

**30%**
the Central Moravia Cohesion Region

**30%**
the North-East Cohesion Region

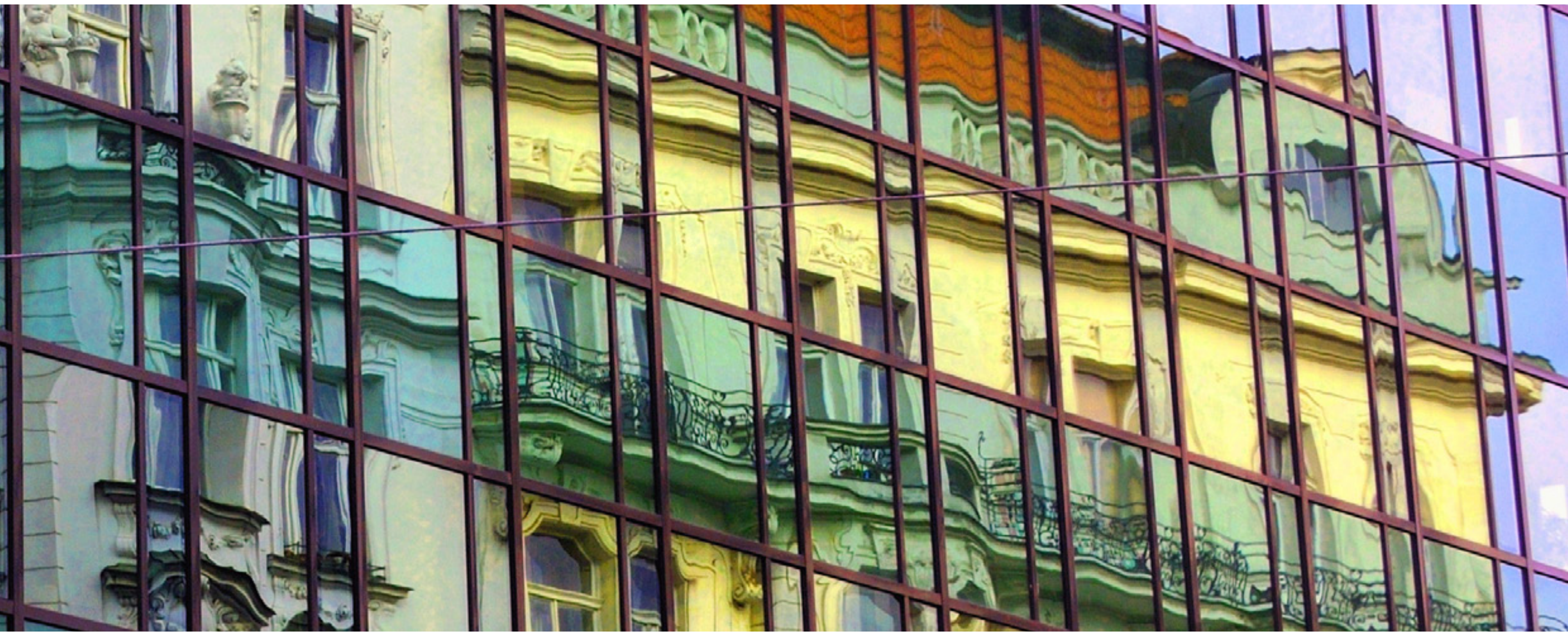
**40%**
the North-West Cohesion Region

The maximum permissible level of public aid for an investment project to facilitate the development of the following economic areas:

— the South-West Cohesion Region: 25% in the Plzeň-North and Tachov districts, and in other districts 20% for aid granted until the end of 2024 and 15% for aid granted from the beginning of 2025;
— the South-East Cohesion Region: 20% for aid granted until the end of 2024 and 15% for aid granted from the beginning of 2025;
— the Central Bohemia Cohesion Region: 25% in the Rakovník, Kladno and Mělník districts, and in other districts 20% for aid granted until the end of 2024 and 15% for aid granted from the beginning of 2025.

The above-specified percentages of aid are further increased by 20% for small enterprises and by 10% for medium-sized enterprises.

The maximum permissible level of public aid for an investment project in data centres is 25% of the amounts stated above.



## Required level of investment and job creation

The minimum thresholds for qualifying as an investment project/strategic investment project (to be achieved within 3 years). Regarding an investment project, the expenditure threshold decreases by 50% if it is to be conducted by a medium-sized enterprise, by 75% if it is to be conducted by a small enterprise, and by 100% in the case of investment projects with products of strategic importance for the protection of human life and health. The jobs creation threshold decreases by 50% in the case of small or medium-sized enterprises, and by 100% in the case of investment projects with products of strategic importance for the protection of human life and health.

### Investment project

**Manufacturing**

EUR 3.3m
Expenditures

0
Jobs created

### Strategic investment project

**Manufacturing**

EUR 82.1m
Expenditures

250
Jobs created

Furthermore, each applicant must conduct the investment with "higher value added" and do one of the following: i) pay 1% of the expected eligible costs on RD collaboration; ii) employ research and development staff, with a share of at least 2% of researchers; iii) acquire new research and development technologies worth 10% of the expected eligible costs, except for manufacturing investment projects with products of strategic importance for the protection of human life and health.

**Tech centres** (Investment project)

EUR 0.4m
Expenditures

20
Jobs created

**Tech centres** (Strategic investment project)

EUR 8.2m
Expenditures

70
Jobs created

## Investment project

## Strategic investment project

**Strategic services**

Apart from beneath mentioned thresholds, applicant must conduct investment with so-called "higher value added".

*Software development & Data centres*

| EUR 0 | 20 |
|---|---|
| Expenditures | Jobs created |

*High-tech repair centres*

| EUR 8.2m | 100 |
|---|---|
| Expenditures | Jobs created |

*Shared- services*

| EUR 0 | 70 |
|---|---|
| Expenditures | Jobs created |

*High-tech repair centres*

| EUR 0 | 50 |
|---|---|
| Expenditures | Jobs created |

## Employment subsidies

Employment subsidies as cash grants for (i) job creation and (ii) training and retraining[1] are, in the case of manufacturing, available only in regions with higher unemployment rate (7,5%). Tech centres are not limited by the unemployment rate but are not provided within Prague region. The subsidies are as follows:

**Special industrial zones[2]**

| EUR 12,315 | 0 |
|---|---|
| Job creation grant per single new job | Eligible training costs |

**Above 25% of the national average**

| EUR 0 | 25% |
|---|---|
| Job creation grant per single new job | Eligible training costs |

**Above 50% of the national average**

| EUR 8,210 | 50% |
|---|---|
| Job creation grant per single new job | Eligible training costs |

**Tech centres**

| EUR 8,210 | 50% |
|---|---|
| Job creation grant per single new job | Eligible training costs |

[1] The percentage limitation of available support does not apply to cash grants for training and retraining

[2] Industrial Zone Holešov, Industrial Zone Ostrava – Mošnov, Triangle Industrial Zone (Northwest), Industrial Zone Joseph (Northwest), and Industrial Zone Kolín-Ovčáry, Industrial Zone Nošovice, Industrial Zone Škoda Plzeň

# Hungary

Hungary has two main categories of support. These are cash subsidies and development tax incentives. Cash subsidies can take a number of forms, as listed in the table below, where, besides the location of the investment, there is also a minimum cumulative condition for both the size of the investment (i.e. amount of eligible costs or the number of jobs created and the increase of wage costs and sales revenue. As a general rule, investments in Budapest are excluded from the subsidy program and the available support is therefore 0% in Budapest.

## Required level of investment and job creation

**Initial investment (irrespective of size of Company) eligible costs calculated based on investment amount**

## Available support

**(Depending on region)**

**EUR 5m**

- Baranya County
- Békés County
- Borsod-Abaúj-Zemplén County
- Jász-Nagykun-Szolnok County
- Nógrád County
- Somogy County
- Szabolcs-Szatmár-Bereg County

50%[1]

**EUR 10m**

- Bács-Kiskun County
- Csongrád-Csanád County
- Fejér County
- Győr-Moson-Sopron County
- Hajdú-Bihar County
- Heves County
- Komárom-Esztergom County
- Pest County
- Tolna County
- Vas County
- Veszprém County
- Zala County

30% 50%[1]

## Required level of investment and job creation

**Setting up a Shared services center**

Initial investment

**50**

- Central Transdanubia
- The planning-statistical region of Western Transdanubia
- Northern Hungary
- Northern Great Plain
- Southern Great Plain
- Southern Transdanubia
- The planning-statistical region of Pest

Minimum amount of eligible costs | Minimum number of new jobs | Location of the investment

30% 50%[1]

**Research and development by a large enterprise**

**EUR 1m** **10**[2]

Minimum amount of eligible costs | Minimum number of new jobs

25%

[1] In case of investments by small enterprises the maximum level of support could be increased by 20%, in the case of investments by medium-sized enterprises the maximum level of support could be increased by 10%

[2] Out of which at least 50% shall have college or university degree

**Special non-refundable job creation/training subsidy**[3]

In case of setting up or extending a regional shared services center or developing a holding

| Minimum amount of eligible costs | Minimum number of new jobs | Location of the investment | Maximum level of support per employee | Maximum amount of total support |
|---|---|---|---|---|
| | – | – | EUR 5,000 | EUR 2m |

The amount of subsidy will be decided by the government, taking into account factors such as the revenue resulting from the investment, the wage increase, the sector concerned etc. The key subsidised sectors are biotechnology, electronics, machinery, life sciences, information technology and telecommunications, automotive, the food industry and shared service centres.

For investments other than R&D investments, average and/or sales revenue increase is also required. In case of newly established enterprises, after the investment has been completed, the investor must increase the company's wage expenses by an annual average EUR 300,000 and increase its sales revenue by an annual average of EUR 3m compared to the base value.

In case of enterprises that do not qualify as newly established, investors must increase the company's base sales revenue and/or its base wage expenses by at least 30%, or the combined increase of the sales revenue and wages must reach 30%.

## Tax incentives

Tax incentives are available. These amount to up to 80% of the corporate income tax payable (up to the state aid intensity ceilings, which also reflect cash grants), and may be claimed for a limited amount of time (for 12 years after completing the investment, and not later than 16 years from the application). The minimum amount of investment in order to make a development eligible for tax incentives are as follows:

**HUF 1bn**

Minimum amount of investment

- **Northern Hungary**
- **Southern Great Plain**
- **Northern Great Plain**
- **Southern Transdanubia**

Purpose or location of the investment

**HUF 50m**

Minimum amount of investment

- **Investments by small enterprises**

Size of investor

**HUF 100m**

Minimum amount of investment

- **Investments by medium-sized companies**

Size of investor

**HUF 100m**

Minimum amount of investment

- **R&D investments**
- **Food processing**
- **Environmental protection**
- **Film and video production**
- **Investment following an IPO**
- **Free enterpreneurial zones**

Purpose or location of the investment

---

1 Minimum number of R&D employees
2 Out of which at least 50% of shall have college or university degree
3 A new project that is applied for subsidy by an applicant who is considered the same legal entity as a previous applicant shall be deemed as the same project as the already subsidized project if commenced within 24 months following the commencement of the already subsidized project.

# Poland

In Poland there are two categories of support – employment grants and support for new investment. Under the new law these two categories of support can be granted simultaneously only if certain conditions are met (e.g. the granted aid does not exceed PLN 3m or capital expenditures exceeds PLN 350m, or at least 500 new jobs are created). In order to attract support both the minimum investment and new jobs figures need to be met. Additionally a R&D tax relief is available, allowing to gain a grant up to 200% of capital expenditures in the form of CIT relief.

## Minimum employment figures and investment levels to attract support

### Employment grants

**BSS**

PLN 600,000 | 100 or 10 with higher education

Available support: PLN 12,000 – up to PLN 20,000

Per job

### Grants for new investment

**Manufacturing**

PLN 160m | 100

Available support: 10% – 20%

Eligible costs (for both manufacturing and manufacturing resulting in product innovation)

**Manufacturing resulting in product innovation regardless the industry**

PLN 7m | 20

Available support: up to 200% in form of CIT relief

Eligible costs

**BSS**

PLN 1m | 10 with higher education

Available support: up to 20%

Eligible costs

Investment expenditures | Employment

### Available support

There are also two additional regulations concerning aid for BSS with following requirements:

— Investments in the sector of modern business services, where at least intermediate processes are performed - PLN 1.5 m, 250 jobs, while for the locations:
  - in medium-sized cities losing their social and economic functions or in communes bordering on these cities, and
  - in poviats or cities with poviat rights, in which the unemployment rate is at least 160% of the average unemployment rate in the country, excluding cities where the seat of the voivodeship governor or the seat of the voivodeship assembly is located, these thresholds amount to PLN 300,000 and 50 jobs respectively.

— Investments in the sector of modern business services, where only advanced or highly advanced processes are implemented, with investment costs amounting to at least PLN 1.5 m and 150 jobs, while for medium-sized cities (described above) these thresholds amount to PLN 300,000 and 50 jobs respectively.

# Romania

Romania currently runs several state aid schemes, the most relevant being: (i) a cash grant scheme covering salary costs in job creating investments and (ii) a cash grant scheme covering the creation or acquisition of tangible and intangible assets in investments which has a major impact on the economy. (iii) a cash grant scheme in the manufacturing industry; (iv) a cash grant scheme for the reduction of negative effects of waste and of consumption from primary resources; (v) a cash grant scheme for industrial parks; (vi) scheme for production and/ or assembly and recycling of batteries, cells and photovoltaics.

## Scheme supporting investments in regional development which promote job creation

### Maximum national budget

**Until 2028**

**EUR 600m**

Maximum EUR 10m per year

### New jobs per location

**100**

4% of total number of employees should be for disadvantaged workers.

### Maximum level of grant

**EUR 26.25m**

Western Romania & Ilfov

**EUR 37.5m**

All other regions

**EUR 7.5m**

Bucharest region

Jobs created must be maintained for five years. Investments must remain operational for the same period.

## Scheme for promoting investments with a major impact on the economy

### Maximum national budget

**Until 2028**

**EUR 1.50bn**

Maximum EUR 150m per year

### Minimum investment

**EUR 1m**

### Maximum level of grant

**EUR 26.25m**

Western Romania & Ilfov

**EUR 37.5m**

All other regions

**EUR 7.5m**

Bucharest region

The beneficiary of the state aid must ensure a financial contribution equal to the total investment value (eligible expenses + ineligible expenses), less the value of state aid, under a form that is not subject to any other public aid.

## Other tax incentives

Romania offers a number of other tax incentives e.g. profit tax exemption (in certain conditions) for reinvested profit.

## National Plan for Recovery and Resilience (NPRR)

The European Commission (EC) adopted a positive assessment of Romania's recovery and resilience plan, under which the country will receive EUR 14.2bn in grants and EUR 14.9bn in loans under the European Union's Recovery and Resilience Facility (RRF).

| 41% Green Energy | 21% Digital Transition | 30% Transport | 8% Other |
|---|---|---|---|

**Eligible Projects & Key Investments**

**41% – Green Energy**

- EUR 1.3 billion euros for the financing of projects that contribute to Romania's energy independence, in the context of the green and digital transition - green energy production projects, including investments in the energy efficiency of irrigation canals
- EUR 1.6bn green transition: phasing out coal and lignite power production by 2032
- EUR 7.6bn sustainable transport: decarbonization of road transport, green taxation, incentives for zero-emission vehicles, and a modal shift to railways and water transport
- EUR 2.2bn improving the energy efficiency of private and public buildings
- EUR 1.8bn water management:
- EUR 545m water storage systems
- EUR 976m water sewerage systems
- EUR 1.2bn waste management
- EUR 1.3bn forestation projects

**21% – Digital Transition**

- EUR 500m development and migration to the governmental ground (digitalization of public administration and businesses)
- EUR 8.5m for electronic ID card for 8.5 million Romanian citizens
- EUR 400m development of an integrated e-Health and telemedicine system
- EUR 189m digital justice
- 146 million other digital systems
- EUR 300m digital transformation grants
- EUR 300m IPCEI Microelectronics
- EUR 200m Future technologies grants
- EUR 260m Research, development and innovation

**30% – Transport**

- EUR 3.1bn for motorways (A7, A8, A1 and A3)
- EUR 3.9bn railways and trains
- EUR 1.2bn for local urban mobility
- EUR 600m for investments in the Bucharest and Cluj metros

**8% – Other**

**Private Sector Investments**
- EUR 1.2bn SMEs and large companies financing

**Healthcare**
- EUR 1.9bn hospital infrastructure and related equipment

**Tourism & Culture**
- EUR 172m sustainable tourism
- EUR 10m operationalization & management of destinations
- EUR 14m film production & distribution and digital transformation in culture

**Education**
- EUR 3.6bn Education Investments in Romania
- EUR 78m online schooling
- EUR 500 school grants to prevent school drop-out

NPRR Implementation mechanism according to a special procedure to be devised by the Government.

**Outlook for 2023**

**EUR 6bn**
NPRR

**EUR 17bn**
Other State & Structural Funds

**In 2022 grants were allocated through the NPRR to a wide range of projects including:**

— Construction of the first hospital since 1989 in Brasov (EUR 100m);
— Expansion of the public transportation system in Timisoara (EUR 75m);
— Building of apartment blocks for disadvantaged youngsters and for health care specialists in Bucharest (EUR 16.6m);
— Energy efficiency, seismic and fire safety work on housing blocks and a school in five different regions (EUR 7m);
— Rehabilitation and energy efficiency of public institutions (schools, hospitals and administrative offices), provision of infrastructure for green transport, creation of intelligent local management systems, bike lanes, purchase of electric means of transport, as well as construction of housing for young people in 12 different regions (EUR 51m).

**Structural funds available through Operational Programs for 2021–2027**

— Operational Program for Fair Transition including investments for:
  - increase in energy efficiency
  - energy from renewable resources
  - green transport
  - infrastructure for charging electric vehicles
  - energy transition from carbon in six counties (Hunedoara, Gorj, Dolj, Galați, Prahova, and Mureș)

— Regional Operational Program
  - regional competitiveness
  - sustainable urban development
  - carbon emissions reduction
  - economic, social and cultural infrastructure

— Operational Program for Sustainable Development
  - environmental protection
  - development of infrastructure for water and waste water
  - transition to a circular economy

— Operational Program for Transport
  - development of transport infrastructure
  - development of mobility services for persons and merchandise
  - EUR 2bn for road TEN-T infrastructure
  - national and regional railway transport
  - metro infrastructure
  - inter-modal terminal infrastructure, installations and equipment
  - interventions in the Constanta Port and Danube ports

— Operational Program for Smart Development
  - promoting digital technologies for the public system and business environment

— Operational Program for Digitalisation & Financial Instruments

— Operational Program for Health
  - construction works for improvement, accessibility, efficiency and resilience of the health system
  - construction of regional hospitals and new hospital infrastructure

# Slovakia

The following are the main categories of investment aid in Slovakia: i) cash grant; ii) income tax relief; iii) contributions on new jobs; iv) discounted transfer of the real estate or discounted rent of the real estate. Minimum investment into eligible costs and job generation will depend on form of requested aid and on type of production and its reference to priority or other areas.

Other notable types of support are:

i) a patent box – a special tax regime that exempts intellectual property income acquired through science and research activities. This regime provides exemption from corporate income tax.

ii) superdeduction tool for research and development – special tax regime enabling additional deduction of costs for R&D projects.

Overall amounts of aid are subject to a maximum investment limit as a percentage of eligible costs (maximum intensity).

## Maximum intensity of investment aid*

### Western Slovakia

| Eligible costs up to 50m | | | Eligible costs over EUR 50m | | |
|---|---|---|---|---|---|
| 50% | 40% | 30% | 30% | 15% | 10.2% |
| Micro and Small Enterprise | Medium Enterprise | Large Enterprise | For part of Eligible costs up to EUR 50m | For part of Eligible costs over EUR 50m and up to EUR 100m | For part of Eligible costs over EUR 100m |

### Central Slovakia

| Eligible costs up to 50m | | | Eligible costs over EUR 50m | | |
|---|---|---|---|---|---|
| 60% | 50% | 40% | 40% | 20% | 13.6% |
| Micro and Small Enterprise | Medium Enterprise | Large Enterprise | For part of Eligible costs up to EUR 50m | For part of Eligible costs over EUR 50m and up to EUR 100m | For part of Eligible costs over EUR 100m |

### Eastern Slovakia

| Eligible costs up to 50m | | | Eligible costs over EUR 50m | | |
|---|---|---|---|---|---|
| 70% | 60% | 50% | 50% | 25% | 17% |
| Micro and Small Enterprise | Medium Enterprise | Large Enterprise | For part of Eligible costs up to EUR 50m | For part of Eligible costs over EUR 50m and up to EUR 100m | For part of Eligible costs over EUR 100m |

***** If an investment project is implemented in a territory that has been designated for support from the Just Transition Fund under a Just Transition Mechanism approved by the European Commission, the amount of investment aid may be increased by 10%.

In order to be eligible for financial support, the following criteria apply to investment amounts and job creation.

The Slovak Government has adopted the following transitional provisions related to the energy crisis and its negative impacts. In proceedings for the granting of investment aid initiated from 15 January 2023 to 31 December 2023, the following applies:

— the unemployment rate in the district of the main place of implementation of the investment plan and the unemployment rate in districts adjacent to the district of the main place of implementation of the investment plan shall be assessed according to the unemployment rate in the calendar half-year preceding the calendar half-year in which the application for investment aid was received by the Ministry of Economy,

— the minimum amount of the value of acquired tangible fixed assets and intangible fixed assets is halved,

— the minimum number of new jobs to be created is halved,

— the maximum proportion of procured machinery, apparatus and equipment in industrial production that can be located in complementary locations for the implementation of the investment project increases to 40 % of the acquisition price of all procured machinery, apparatus and equipment included in the eligible costs of the investment project for which investment aid is granted,

— investment projects implemented in priority areas of industrial production shall be deemed to be all investment projects implemented in industrial production,

— investment projects carried out in the priority areas of technology centres shall be deemed to be all investment projects carried out in a technology centre, using the lower of the minimum values for granting investment aid,

— investment projects implemented in the priority areas of business service centres shall be deemed to be all investment projects implemented in a business service centre, using the lower of the minimum values for the granting of investment aid.

— In proceedings for the granting of investment aid initiated between 15 January 2023 and 30 June 2023, the rate of registered unemployment for the second half of 2022 shall be taken into account for the purposes of the inclusion of a district into the relevant zone.

For investment aid proceedings initiated from 1 January 2021 to 31 December 2023, the district of Prievidza is considered to be a district included in Zone D.

In the procedure for granting investment aid commenced from 1 January 2022 to 31 December 2023, the Prievidza district and the Partizánske district will be considered as districts included in Zone D.

## Minimum investment amounts

## Industrial manufacturing

### Districts with a lower than average unemployment rate (Zone A)

**Cash grant for priority areas:**

| EUR 40m | EUR 20m | 60% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

**Cash grant for other areas are not available**

**Tax relief for all areas:**

| EUR 6m | EUR 3m | 60% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

**Contribution to newly created jobs for all areas:** not available

**Discounted transfer of real estate or discounted rent of real estate for all areas:**

| EUR 6m | EUR 3m | 60% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

### Districts with a higher than average unemployment rate (Zone B)

**Cash grant for priority areas:**

| EUR 20m | EUR 10m | 50% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

**Cash grant for other areas:**

| EUR 30m | EUR 15m | 50% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

**Tax relief of all areas:**

| EUR 3m | EUR 1.5m | 50% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

**Contribution to newly created jobs for all areas:**

| EUR 3m | EUR 1.5m | 50% | 200 | 30 |
|---|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs Large enterprises | Minimum number of newly created jobs SME |
| Eligible costs | | | | |

**Discounted transfer of real estate or discounted rent of real estate for all areas:**

| EUR 3m | EUR 1.5m | 50% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

## Districts with an unemployment rate of at least 35% higher than average (Zone C)

**Cash grant for priority areas:**

| EUR 10m | EUR 5m | 40% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

**Cash grant for other areas:**

| EUR 20m | EUR 7.5m | 40% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

**Tax relief for all areas:**

| EUR 1.5m | EUR 750,000 | 40% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | Eligible costs | | |

**Contribution to newly created jobs for all areas:**

| EUR 1.5m | EUR 750,000 | 40% | 100 | 20 |
|---|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs Large enterprises | Minimum number of newly created jobs SME |
| Eligible costs | Eligible costs | | | |

**Discounted transfer of real estate or discounted rent of real estate for all areas:**

| EUR 1.5m | EUR 750,000 | 40% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | Eligible costs | | |

## Districts in the "List of the least developed districts" (Zone D)

**Cash grant for priority areas:**

| EUR 500,000 | EUR 250,000 | 30% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | Eligible costs | | |

**Cash grant for other areas:**

| EUR 1m | EUR 500,000 | 30% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | Eligible costs | | |

**Tax relief of all areas:**

| EUR 200,000 | EUR 100,000 | 30% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | Eligible costs | | |

**Contribution to newly created jobs for all areas:**

| EUR 200,000 | EUR 100,000 | 30% | 20 | 10 |
|---|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs Large enterprises | Minimum number of newly created jobs SME |
| Eligible costs | | | | |

**Discounted transfer of real estate or discounted rent of real estate for all areas:**

| EUR 200,000 | EUR 100,000 | 30% | 0 |
|---|---|---|---|
| Large enterprises | SME | Minimum share spent on new machinery and equipment | Minimum number of newly created jobs |
| Eligible costs | | | |

## Technology centres

**Cash grant for priority areas:**

| EUR 200,000 | 10 | 2 [1] |
|---|---|---|
| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary |

**Cash grant for other areas:**

| EUR 400,000 | 20 | 1.7 [1] |
|---|---|---|
| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary |

**Tax relief for priority areas:**

| EUR 100,000 | 10 | 2 [1] |
|---|---|---|
| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary |

**Tax relief for other areas:**

| EUR 200,000 | 20 | 1.7 [1] |
|---|---|---|
| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary |

**Contribution to newly created jobs for priority areas:**

| EUR 100,000 | 10 | 2 [1] |
|---|---|---|
| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary |

**Contribution to newly created jobs for other areas:**

| EUR 200,000 | 20 | 1.7 [1] |
|---|---|---|
| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary |

[1] Minimum multiple of the average gross monthly salary paid to an establishment's employees compared to the average nominal monthly wage in the economy of the Slovak Republic by district.

**Discounted transfer of real estate or discounted rent of real estate for priority areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 100,000 | 10 | 2 |

**Discounted transfer of real estate or discounted rent of real estate for other areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 200,000 | 20 | 1.7 |

## Shared service centres

**Cash grant for priority areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 200,000 | 20 | 1.8 |

**Cash grant for other areas: not available**

**Tax relief for priority areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 0 | 20 | 1.8 |

**Tax relief for other areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 0 | 50 | 1.5 |

**Contribution to newly created jobs for priority areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 0 | 20 | 1.8 |

**Contribution to newly created jobs for other areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 0 | 50 | 1.5 |

**Discounted transfer of real estate or discounted rent of real estate for priority areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 0 | 20 | 1.8 |

**Discounted transfer of real estate or discounted rent of real estate for other areas:**

| Eligible costs | Minimum number of newly created jobs | Minimum fold of average salary [1] |
|---|---|---|
| EUR 0 | 50 | 1.5 |

[1] Minimum multiple of the average gross monthly salary paid to an establishment's employees compared to the average nominal monthly wage in the economy of the Slovak Republic by district.

## Financial support for newly created jobs

Eligible wage costs are calculated as the sum of the monthly salary of staff recruited for newly created jobs, which are created in direct connection with the realization of the investment plan (before tax) including public health insurance, social security contributions and compulsory pension contributions for a period of 24 months. The maximum amount of contribution for newly created jobs may not exceed the following values (expressed as a percentage of eligible wage costs):

### Western Slovakia

Zones A-D

| | Industrial production | | Technology Centres | | Shared Service Centres | |
|---|---|---|---|---|---|---|
| | Priority areas | Other areas | Priority areas | Other areas | Priority areas | Other areas |
| | – | – | 30% | 30% | 30% | 30% |

### Central Slovakia

Zone A

| | Industrial production | | Technology Centres | | Shared Service Centres | |
|---|---|---|---|---|---|---|
| | Priority areas | Other areas | Priority areas | Other areas | Priority areas | Other areas |
| | – | – | 40% | 40% | 40% | 40% |

Zone B-D

| | Industrial production | | Technology Centres | | Shared Service Centres | |
|---|---|---|---|---|---|---|
| | Priority areas | Other areas | Priority areas | Other areas | Priority areas | Other areas |
| | 40% | 40% | 40% | 40% | 40% | 40% |

### Eastern Slovakia

Zone A

| | Industrial production | | Technology Centres | | Shared Service Centres | |
|---|---|---|---|---|---|---|
| | Priority areas | Other areas | Priority areas | Other areas | Priority areas | Other areas |
| | – | – | 50% | 50% | 50% | 50% |

Zone B-D

| | Industrial production | | Technology Centres | | Shared Service Centres | |
|---|---|---|---|---|---|---|
| | Priority areas | Other areas | Priority areas | Other areas | Priority areas | Other areas |
| | 50% | 50% | 50% | 50% | 50% | 50% |

# New FDI Regulation

At the end of 2022, the National Council of the Slovak Republic adopted Act No. 497/2022 Coll. on Screening Foreign Investments (the "**FDI Act**"). The FDI Act comes into force on 1 March 2023. Foreign investors will have to consider the implications of this law on their foreign direct and indirect investments ("**FDI**"), and how to address them. Here is a brief overview of the new rules.

**FDIs to be screened**

The FDI Act applies to FDIs from:

A. citizens and entities seated in non-EU countries; and

B. EU citizens and EU-seated vehicles operating

— under control,

— with funds,

— having an UBO, or

— in concert with a foreign investor, being a citizen/entity under lit. (a), a non-EU public authority or an entity that has an equity participation from a non-EU public authority.

Such FDI must be aimed at a target entity that is an entity seated in Slovakia, existing or being created due to such foreign investment, regardless of the transaction form (share, asset or business deal, merger, joint venture, incorporation of Slovak seated vehicle, providing financing) and governing law if certain criteria for critical/non-critical FDI are met.

The following FDIs are excluded from screening even if they could otherwise meet the criteria:
1. intragroup investments,
2. security creation in the form of a pledge, provided that the pledgee (foreign investor) is not entitled to give business instructions to the target company,
3. transactions within the ordinary scope of business.

# Türkiye

Türkiye has pursued an aggressive incentives scheme, which has been available to both Turkish entities and Turkish subsidiaries of foreign companies, since 2012. For the purposes of the scheme, Türkiye is divided into six regions. Region 1 is the richest region, containing cities such as Istanbul and Izmir while Region 6 is the poorest. The incentive scheme is also divided into five regimes: the general investment incentives regime, the regional investment incentives regime, the priority investment incentives regime, the large scale investment incentives regime and the strategic investment incentives regime.

The general investment incentives regime supports investments in an amount of at least TL 3 million for investments in regions 1 and 2 and TL 1.5 million for investments in regions 3, 4, 5 and 6. Investments that may not be incentivised cannot benefit from this regime.

Under the regional investment incentives regime, on the other hand, the sectors to be supported are determined according to the potential and size of the local economy of the relevant region. As with the first regime, this regime also supports investments in an amount of at least TL 1m for investments in regions 1 and 2 and TL 1.5 million for investments in other regions. Certain activities, such as the manufacture of renewable energy turbines and generators and certain mining activities, are provided with higher value incentives, especially if the value of the investment is at least TL 1bn.

The large scale investment incentives regime supports 12 investment areas, mainly relating to the energy, infrastructure and life sciences sectors. The minimum investment amount required in order to benefit from the relevant incentives varies between TL 50m and TL 1bn.

The priority investment incentives regime supports the investments on subjects designated as priority investments regarding Türkiye's requirements. The investment subjects of priority investment incentives are numerous and the minimum investment amounts also differ according to the subjects. The priority investments in regions 1, 2, 3, 4,and 5 will be incentivised by the incentives of region 5 and investments in region 6 will benefit from the incentives of region 6.

The strategic investment incentives regime, meanwhile, supports investments where the production capacity for

the products to be manufactured will be less than the products exported, the export value of the products to be manufactured for the last year has been USD 50m, the investment amount will be at least TL 50m and the investment will create added value of at least 40%.

The support to investors under each regime is set forth in the following table.

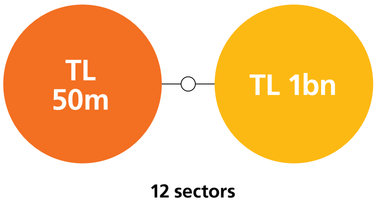
## General investment incentives regime

| | | | | | |
|---|---|---|---|---|---|
| TL 3m | TL 3m | TL 1.5m | TL 1.5m | TL 1.5m | TL 1.5m |
| **Region 1** | **Region 2** | **Region 3** | **Region 4** | **Region 5** | **Region 6** |

## Regional investment incentives regime

| | | | | | |
|---|---|---|---|---|---|
| TL 1m | TL 1m | TL 1.5m | TL 1.5m | TL 1.5m | TL 1.5m |
| **Region 1** | **Region 2** | **Region 3** (see exceptions) | **Region 4** (see exceptions) | **Region 5** (see exceptions) | **Region 6** (see exceptions) |

## Large scale investment incentives regime




## Strategic investment incentives regime


| Support Provided | General Investment Incentives Regime | Regional Investment Incentives Regime | Priority Investment Incentives Regime | Large Scale Investment Incentives Regime | Strategic Investment Incentives Regime |
|---|---|---|---|---|---|
| **VAT Exemptions** | Provided for all regions. | Provided for all regions. | Provided for all regions. | Provided for all regions. | Provided for all regions. |
| **Customs Tax Exemptions** | Provided for all regions. | Provided for all regions. | Provided for all regions. | Provided for all regions. | Provided for all regions. |
| **Tax Deductions** | – | Provided for all regions. | Provided for all regions. | Provided for all regions. | Provided for all regions. |
| **Social Security Premium Support (Employer Share)** | – | Provided for all regions. | Provided for all regions. | Provided for all regions. | Provided for all regions. |
| **Income Tax Withholding Deduction** | Provided for investments in region 6. | Provided for investments in region 6. | Provided for investments in region 6. | Provided for investments in region 6. | Provided for investments in region 6. |
| **Social Security Premium Support (Employee Share)** | – | Provided for investments in region 6. | Provided for investments in region 6. | Provided for investments in region 6. | Provided for investments in region 6. |
| **Interest Rate Support** | – | Provided for regions 3, 4, 5 and 6 within the scope of regional investment incentives. | Provided for regions 3, 4, 5, and 6 within the scope of regional investment incentives. | – | Provided for regions 3, 4, 5 and 6 within the scope of regional investment incentives. |
| **Allocation of Land** | – | Provided for all regions. | Provided for all regions. | Provided for all regions. | Provided for all regions. |
| **VAT Returns** | – | Not provided. | – | – | Provided for the construction expenses of strategic investments with an investment amount of at least TL 500m. |

## Other support offered by Türkiye

In addition to the general incentive scheme outlined above, the Turkish government introduced the Programme for Centres of Attention in November 2016, giving priority to the development of five regions in Eastern and South-Eastern Türkiye. Accordingly, private sector investments in these regions will be incentivised through funds from the Development Bank of Türkiye. In January 2017, four incentive packages were provided for these Centres of Attention. These are the Investment and Manufacturing Support Package, the Package for Support for Moving Manufacturing Facilities, the Call Centre Support Package and the Data Centre Investment and Energy Support Package. The incentives to be provided for each package are as follows:

| Package | Incentive |
|---|---|
| Investment and Manufacturing Support Package | Investment and Manufacturing Support Package |
| Consultancy services / Allocation of investment areas / | Consultancy services / Allocation of investment areas / |
| Building construction support / Interest free investment loans / Reduced interest operational loans | Building construction support / Interest free investment loans / Reduced interest operational loans |

In addition to the above, certain types of investment will be given priority in each region, such as logistics in Region 1, textiles in Region 2 and the manufacturing of construction materials in Region 3.

# Ukraine

## General state support for investment projects

General state support is available in Ukraine for investment projects that are selected by state authorities on a competitive basis. For example, such state support may take the form of: a) co-financing investment projects via state budgetary funds; b) providing state guarantees in support of the investee company's debt financing for an investment project; c) provision of debt funding for an investment project (via state budgetary funds); d) full or partial compensation of interest payments under debt financing obtained for an investment project.

## State support for investment projects with large investments

In February 2021, Ukraine introduced state support for investment projects with large investments.

### Available support

— tax benefits (e.g. tax exemptions);

— land benefits in relation to state- or municipally-owned land (e.g. special rates of rental fees); and

— construction at the expense of state or municipal budgets of infrastructure necessary for implementation of an investment project.

The amount of state support is capped at 30% of the expected investment amount.

### Key eligibility criteria

According to the law's key criteria, to be eligible for state support an investment project should:

— be proposed for implementation in the areas of processing industry (except for manufacturing of tobacco and alcohol products), extraction of mineral resources for processing and refining (except for hard coal and brown coal, crude oil and natural gas), waste management, transportation, warehousing facilities, postal and courier services, logistics, education, healthcare, arts, culture, sports and tourism;
— generate at least 80 new workplaces, with the average remuneration for employees being at least 15% higher than the average remuneration for employees working at the same location or area by reference to the previous calendar year;
— envisage at least EUR 20m in new investments; and
— be implemented within five years.

## State support for investment projects in industrial parks

In 2012, Ukraine introduced a new legislative framework for the creation and operation of industrial parks, and also established a beneficial regime for projects operating in such industrial parks. In October 2021, the legislative amendments to attract investments to industrial parks came into force, enhancing the support for manufacturing clusters. Starting from July 2022, state support was increased by introducing zero-income tax for certain business activities of industrial park residents and zero-value added tax for certain transactions by industrial park residents.

In 2022 further amendments to the legislation related to industrial parks were introduced. Those improvements completed the reform of the system of state incentives for industrial parks and made available the following benefits:

— full or partial compensation for interest rates on loans taken for equipping or carrying out business in industrial parks;
— financing the construction, refurbishment, repair of engineering infrastructure for the development, equipping, and operation of industrial parks;
— compensation for the costs incurred in the engineering networks;
— exemption from customs duties and VAT for the import of the equipment, components and materials used for the investment project in the industrial park;

— exemption from income tax for 10 years, subject to reinvestment in the development of the investment project;
— possibility of obtaining benefits for real estate taxation on the territory of industrial parks by decision of the local self-government bodies.

## State support for the renewable energy sector

In 2009 Ukraine introduced a feed-in (green) tariff as a guaranteed preferential price for electricity produced from renewables (wind, solar, biogas, small hydro (not exceeding 10 MW)) paid until 1 January 2030. At the moment, changes to the feed-in (green) tariff scheme are being considered under which instead of paying guaranteed preferential price for the electricity produced from renewables, the Ukrainian state will reimburse the difference between the price under which renewable electricity producers sell their electricity and the guaranteed preferential price under the feed-in (green) tariff established for such renewable electricity producer (so-called "feed-in premium scheme"). At the end of 2019, a new auction support system was adopted. However, its implementation was postponed until implementation of the aforementioned feed-in premium scheme. The following tax incentives are also available:

— the supply of electricity produced from renewable sources is exempt from excise tax;
— the import and supply of certain equipment used in the production of energy from renewable sources may be exempt from VAT.

## State support of agriculture

In Ukraine, there are various forms of state support for the agriculture industry (e.g. partial compensation of the price paid for agricultural vehicles and/or equipment). Also, agricultural producers may benefit from a simplified tax regime and beneficial rates for land tax.

## State support for the IT sector

In 2021, Ukraine introduced a special Diia.City regime: a special economic zone providing a new legal and tax framework for IT companies, which is believed to boost the country's status as a global tech hub.

### Available support

— tax benefits (i.e. tax exemptions or reduced percentages);
— flexibility in employment matters; and
— additional protection against the undue intervention of government security officials.

### Eligibility

In general, tech firms with at least nine workers with an average monthly salary of EUR 1,200 are eligible to apply for participation (called "residency") in the Diia City project.

# Timing and procedural steps

As a general rule, most applications for investment aid in the EU countries will involve a two-stage process. It is firstly necessary to deal with the national authorities. In most cases, subject to a few exceptions, national authorities will have to seek approval from the European Commission.

The timing of the investment process in CEE will generally depend on the size of the project and the scope of the investor's needs. Usually it will be necessary to enter into a specific investment agreement with the relevant government. Often such agreements can take a long time to finalise and may go through many iterations.

As a general rule, it is not possible to commence investment until at least the formal application for state aid has been submitted. In certain cases, it will be necessary to wait until later in the process.

The timing set out below primarily focuses on situations where only domestic approval is required. Usually the national authorities that have considered the state aid application will, after giving preliminary approval, submit the application to the European Commission.

For more straightforward cases, there is a simplified procedure which provides that the Commission will adopt a decision within 20 working days from the notification. For more significant cases, the member state granting the aid will submit an application form to the Commission. The content of the application form is generally agreed with the investor.

For more significant cases the Commission investigation will take at least six months. As a general rule, it is recommended that the investor makes direct contact with the Commission in advance, particularly where a significant amount of state aid is contemplated.

The Commission should be able to give guidance as to its thoughts on the form of the application and documentation to be entered into between the investor and the member state.

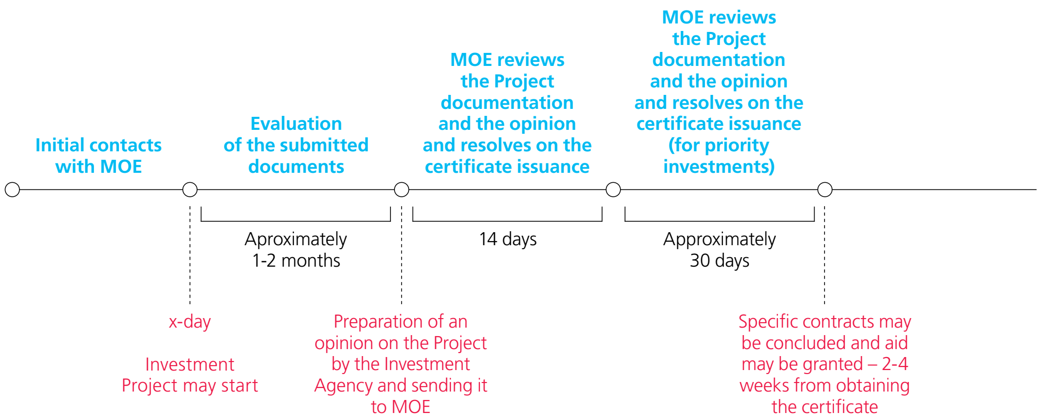
In large projects there is inevitably a risk of other delays, which may occur, for instance, in cases where zoning is required (see below) or where the state is involved in the acquisition of land or the preparation of a site. In order to minimize such a risk it is always recommended to include deadlines for the completion of each key stage of process into the investment agreement or side letters signed by the local authorities.

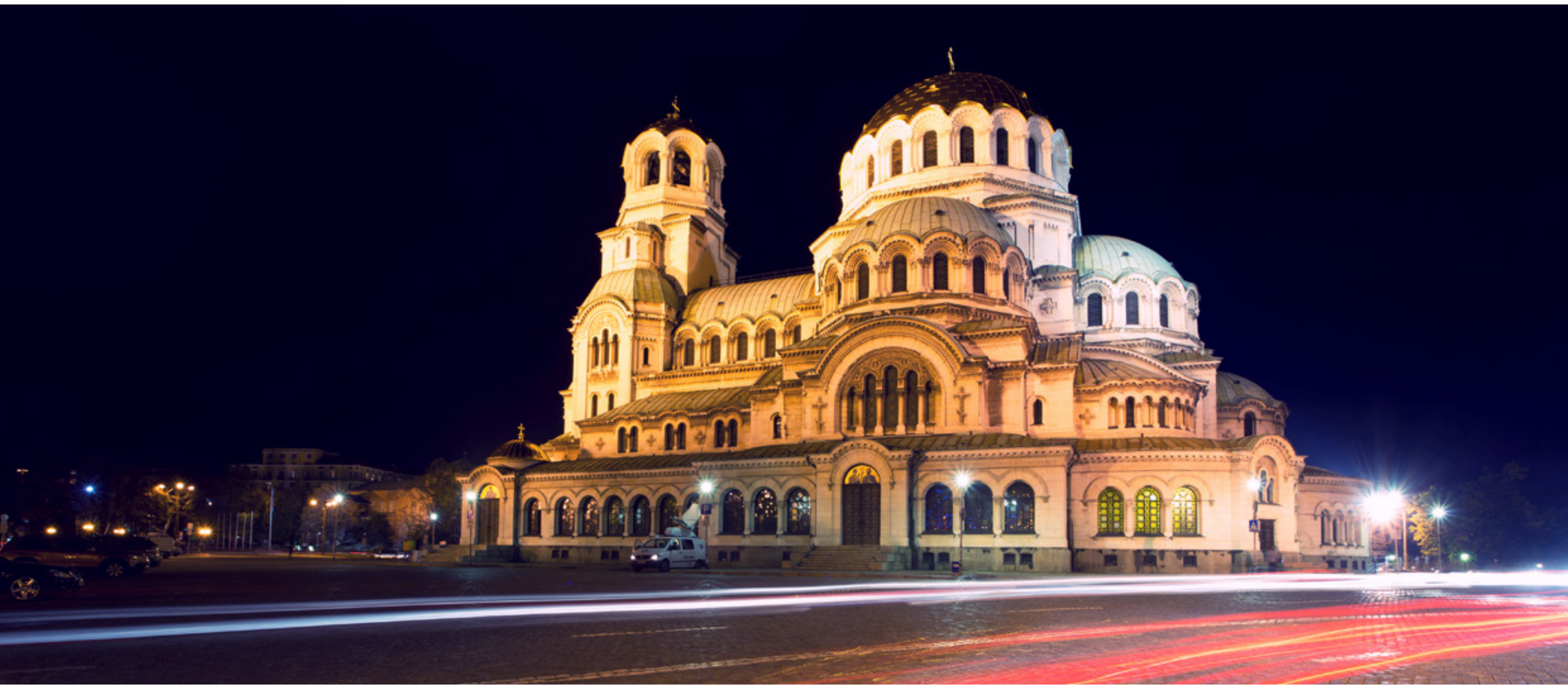
Sometimes governments and governmental agencies in the region can play fast and loose with confidential information. Often this is to ensure favourable publicity for a government, particularly in the run up to elections or to score points over other countries competing for the same investment. To minimise such problems, it is essential that a potential investor emphasise that the maintenance of confidentiality is a prerequisite for investment in the country. This can be reinforced by having appropriate confidentiality provisions with corresponding penalties, in the investment agreement and other key documentation.

# Bulgaria

In Bulgaria, the investment incentives process officially starts with the submission of an investment project to the Invest Bulgaria Agency. Usually, this step is preceded by detailed discussions with the Invest Bulgaria Agency and the Ministry of Economy (MOE). The implementation of the investment project may not start before the investment project has been submitted for certification. Only investment projects that meet certain criteria (eligible sectors, minimum amount of investment, minimum new employment etc.) can benefit from incentives.

The process is divided in two major stages. The first stage involves certifying the investment project. Depending on the type of the certificate (Class A, or Class B) different sets of incentives are available for the project. The second stage covers negotiating and entering into a specific investment agreement in respect of particular investment incentive(s). It normally takes three to four months from the submission of the investment project until entry into a specific investment agreement but the process may take longer in certain situation.



# Czech Republic

In the Czech Republic, the investment process officially starts with an application for incentives to CzechInvest. No investment should be taken before this time. From the point at which the application is received, the whole procedure normally takes three to six months. The exact time will depend on how quickly the applicant files the final application and on the speed of the state bodies. After the submission of the final application, the Ministry of Trade and Industry puts the application forward to Czech government which has three months to give its permission. If approved, the Ministry has 30 days to issue a binding promise to grant investment incentives. The promise takes the form of an administrative decision. In practice, for larger investments certain aspects of the investment can also be governed in an investment agreement between the investor and the state.

In case of employment subsidies, after the applicant obtains a promise of investment incentives, the applicant (employer) enters into an agreement for the granting of subsides with the Employment Agency. This agreement sets out the terms for granting of these subsidies.

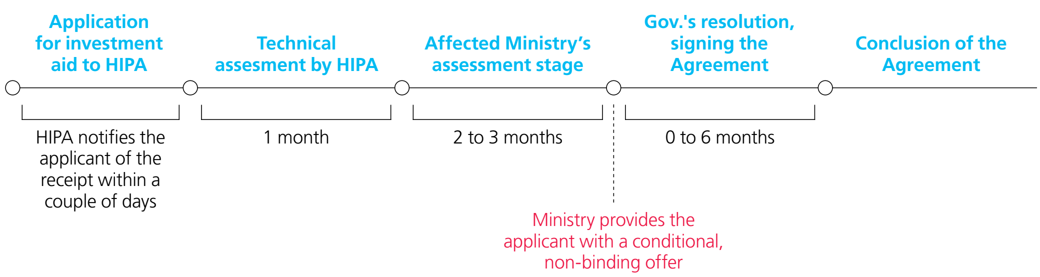
| Application for incentives to CzechInvest | Assesment by CzechInvest | Assessment by Government | Assessment by Ministries | Offer to grant incentives | Investor's acceptance | Decision to grant incentives |
|---|---|---|---|---|---|---|
| approx. 14 days<br>(depends on communication with CzechInvest regarding the revised documents) | 1 month | 3 months | 1.5 to 2 months | approx. 14 days | within 3 months | approx. 14 days |

# Hungary

The investment process in Hungary officially starts with the submission of a detailed investment aid application to the Hungarian Investment Promotion Agency (HIPA). HIPA will then confirm the receipt of the application within a few days. The investment cannot start prior to submission of the application for investment aid.

Following the technical assessment of the application, HIPA as a representative of the donor and on the basis of the donor's agreement will provide the applicant with a non-binding, conditional offer. If the applicant accepts such conditional offer, the donor will present the subsidy application to the Hungarian Government. The Government will then issue its resolution on granting the subsidy. In accordance with the resolution of the Hungarian Government the donor will conclude an investment agreement with the applicant.

The procedure from acceptance of the conditional offer by the applicant to the signing of the investment agreement (including notification to the Commission) normally takes 6–12 months. However, if Commission notification is unnecessary, the process will usually be much shorter.

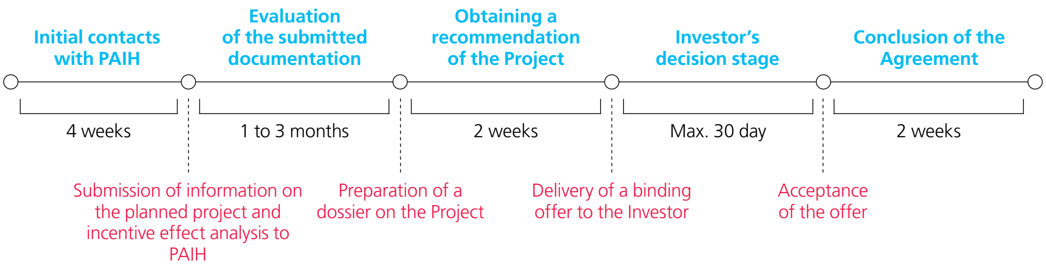


# Poland

In Poland, the investment process consists of two procedures conducted simultaneously:

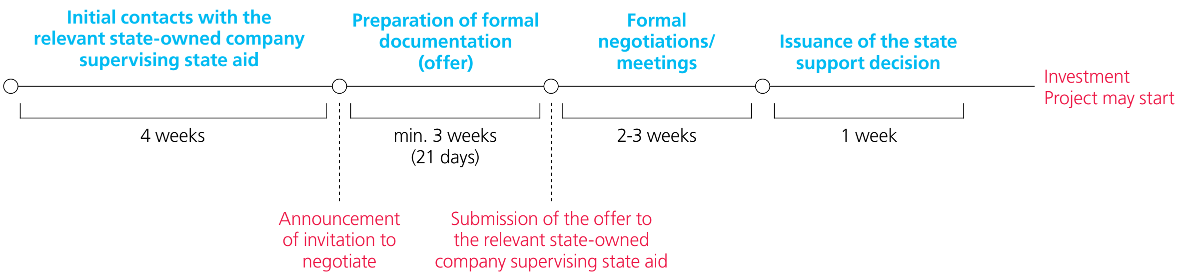
(i) negotiation and conclusion of an investment agreement; and (ii) procedure to obtain a state support decision. The investment agreement process officially starts after submission of the grant application to the Polish Investment and Trade Agency (PAIH) and usually takes approximately three months. The procedure for obtaining the state support decision is shorter and takes no more than two months.

## (i) Conclusion of the investment agreement




The investment process officially starts after the grant application has been submitted to the Polish Investment and Trade Agency (PAIH). After evaluation of the documentation, PAIH will make its decision on recommended support for the project and submit its recommendation to the Minister of Development in order to obtain final approval. Once the recommendation is approved, PAIH will provide the Investor with a binding offer. The Investor has a maximum of 30 days to decide whether to accept the offer. If its decision is positive, the investor has to apply to the Minister of Development for a letter of intent confirming that the investment may commence. As a final step, the Minister of Development will conclude an investment agreement with the investor. The whole procedure usually takes approximately three months.

## (ii) Obtaining a state support decision




In order to obtain state aid in the form of CIT relief (up to 10 – 50% of capital expenditure depending on the investment location) a state support decision has to be issued. To apply for a state support decision, a company has to prepare formal documentation (the  proposal) for submission to the state-owned companies supervising the state aid (Poland is divided into 14 zones in which state aid is going to be supervised by such companies). The proposal must contain a description of the investment that describes the envisaged investment to be carried out in Poland and must state the declared amount of capital expenditure to be incurred and show compliance with investment quality criteria (i.e. state the number of new jobs that will be created, R&D activities conducted within the investment, improvement of employees' professional qualifications). The minimum capital investment expenditure for which a state support decision can be issued varies from approx. EUR 42,000 for small businesses conducting R&D activities to approx. EUR 21m for large businesses conducting manufacturing activities. Please note that there are some business activities that do not qualify for state aid granted via a state support decision (e.g. manufacturing of tobacco, manufacturing of alcoholic beverages, wholesale and retail services). Therefore, before filing an proposal it is advisable to check whether the planned business activity is covered by the scheme. The procedure to obtain a state support decision usually takes no more than two months.

# Romania

In Romania, the granting of state aid follows certain procedural phases, as follows:

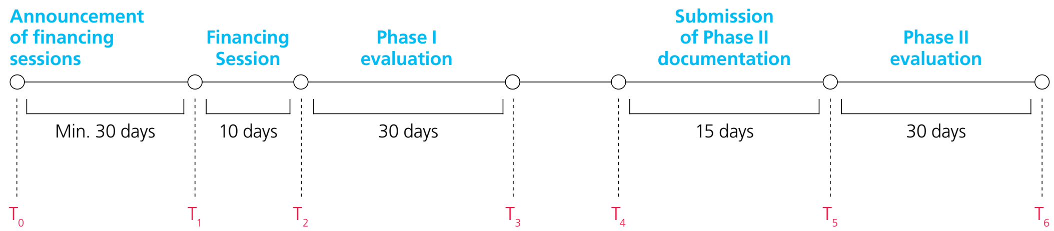
## (i) Phase I – application for a financing agreement which includes:

- Submission of a Request for Financing;
- Assessment of the Request for Financing from both, a documentary and an eligibility/compliance perspective;
- Communication of results to applicants which meet the eligibility/compliance criteria (in this phase, the applicant may be requested to submit additional documents and/or clarifications).

## (ii) Phase II – evaluation of additional documents and/or clarifications, which includes:

- Submission of evaluation/assessment documentation by applicant;
- Assessment of Phase II documentation (in this phase, the applicant may be requested to submit additional documents and/or clarifications);
- Issuance of the Financing Agreement;
- Notification of the applicant via post as to the issuance of the Financing Agreement.

Requests for Financing may be submitted only during the course of 'financing sessions', which generally last 10/15 working days, but for the period of 2021–2024, these sessions will be open on a continuous basis until the 3rd trimester of 2023, as the last Financing Agreement can be issued on 31st December 2023. The starting date of these sessions is announced in advance on the website of the Ministry of Public Finances at least 30 days in advance. The timeline for granting financing under the State Aid schemes is usually as follows:




| | |
|---|---|
| $T_0$ | date on which the financing session is announced via MPF website; |
| $T_1$ | start date for financing session; |
| $T_2$ | end date for financing session; |
| $T_3$ | end date for Phase I evaluation; |
| $T_4$ | communication of results to eligible applicants; |
| $T_5$ | deadline to submit Phase II documentation; |
| $T_6$ | end date for Phase II evaluation (* note the 30 days start to run from the day the Phase II documentation is complete; the MPF may request additional documentation/clarifications, each such request to be responded to within 15 working days). |

In general, the MPF recommends that a period between five and ten months be taken into consideration from the date of the Request for Financing until final issuance of the Financing Agreement. Regional State Aid is granted in accordance with EU Regulation no. 650/2014 and is exempt from notification to the European Commission.

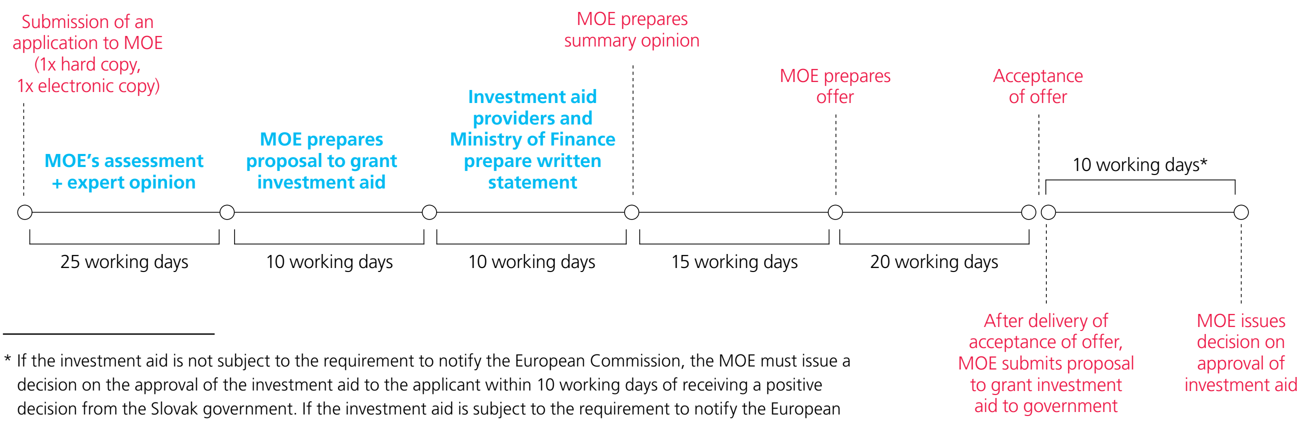
# Slovakia

The investment process starts when an investment application is submitted to the Ministry of Economy (MOE). The procedure normally takes about three months. However before submitting the investment application, we recommend having a detailed discussion with the MOE as well as the Slovak Investment and Trade Development Agency (SARIO) in order to ensure matters will proceed smoothly after submission of the application.

The investment process consists of several time-limited stages:

1. After the submission of the investment application (1 x hard copy, 1 x electronic), the MOE has 25 working days to assess the regional contribution of the investment and ensure the preparation of the independent and detailed expert opinion.
2. If the opinion indicates that the applicant has the capacity to comply with the general terms and conditions for allowing the investment and that the investment will make a significant contribution to the regional economy, within 10 working days the MOE should prepare a proposal to grant investment aid.
3. The proposal will be sent to investment aid providers and Ministry of Finance of the Slovak Republic, who have 10 working days to prepare a written statement on whether they agree to grant the aid.
4. The MOE will prepare a summary opinion. In case of positive summary opinion, the MOE will prepare and send a written investment aid offer to applicant within 15 working days.
5. The applicant must submit an acceptance of the offer (1 x hard copy, 1 x electronic) to MOE within 20 working days from its delivery.
6. After delivery of acceptance of offer, the MOE submits a proposal to grant the investment aid for the approval of the Slovak government. If the investment aid is not subject to the requirement to notify the European Commission, the MOE must issue a decision on the approval of the investment aid to the applicant within 10 working days of receiving the positive Slovak government's decision. If the investment aid is subject to the requirement to notify the European Commission, the MOE will ensure (after positive Slovak government's decision) the assessment of the compatibility of proposed aid with internal market. In case of positive European Commission's decision, the MOE must issue a decision on the approval of the investment aid to the applicant within 10 working days from delivery of the final European Commission's decision.

The recipient of investment aid shall be registered with the Slovak register of public sector partners.




* If the investment aid is not subject to the requirement to notify the European Commission, the MOE must issue a decision on the approval of the investment aid to the applicant within 10 working days of receiving a positive decision from the Slovak government. If the investment aid is subject to the requirement to notify the European Commission, the MOE will ensure (after a positive decision from the Slovak government) an assessment of the compatibility of the proposed aid with the internal market. In the case of a positive decision from the European Commission, the MOE must issue a decision on the approval of the investment aid to the applicant within 10 working days from the delivery of the final European Commission decision.

# Türkiye

In order to apply to benefit from incentives, the investor makes an online application to the General Directorate of Incentive Practices and Foreign Capital of the Ministry of Industry and Technology via Electronic Incentive Application and Foreign Capital Information System and submits documents relating to the planned investment. For investments with a value of less than TL 10m, applications may be made to local development agencies and chambers of industry in order to obtain an investment incentive certificate. Applications are evaluated technically and financially in accordance with macro-economic policies. The total procedure involving the evaluation must be concluded no later than two months after the date of application.

The main requirements to benefit from the incentives available are investments of TL 2–5m depending on the region and employment of at least 30 persons with respect to manufacturing; the employment of at least 200 persons for call centres and at least 5,000m² floor space for data centres. Priority will be given to those investments providing higher employment rates, R&D activities and the investor's experience in the relevant requested investment.

At the time of publication, there is no specific procedure or timeline to be followed for incentive applications within the scope of the Program for Centres of Attention.

**Application to the relevant authority together with the required documentation** → **Evaluation of the application** → **Conclusion of the application**

# Acquisition of real estate

Depending on the type of investment, investors may take advantage of various ways of holding real estate. The most popular are: (i) ownership (full right to use, manage and dispose); (ii) leases; (iii) in Poland, perpetual usufruct right (a long-term right to use or manage property and to construct privately owned buildings on publicly-owned land); or (iii) other rights which are limited in scope and time (e.g. easements, rights of usufruct etc.).

In the case of the acquisition of property, it is common to sign a preliminary or conditional sale agreement. It is crucial to fulfil all the formal requirements when buying real estate – this is usually done in an appropriate legal form before a notary public. Depending on the local regulations, it may sometimes also be necessary for foreigners to obtain specific consent to purchase real estate (in Ukraine investors would need to have a local presence to buy land). It is very important to check public registers, as in some countries rights entered into such registers are presumed to be valid, while rights which are not entered there are presumed to be non-existent.

An investor is required to obtain a number of permits before it starts business activity. The main one is a building permit (required for construction, renovation and reconstruction). A building permit may only be issued if the application complies with a zoning plan, an environmental decision and after meeting all the technical requirements. If the acquired land is agricultural land, the investor must obtain a permit allowing for its exclusion from agricultural production. Generally this will entail an additional fee for the investor.

At the end of the construction process, an occupancy permit is also required.

Many CEE countries also have specific regulations concerning:

1. remnants of the communist legal system e.g. restitution rights for owners who were deprived of rights by Nazi or Communist regimes,
2. protection of historic monuments,
3. expropriation regulations,
4. restrictions relating to the acquisition of certain types of real estate (i.e. agricultural or forest lands) (Poland and Ukraine only), and
5. rules for supporting new investments (Poland only).

## Zoning

Every investment must be consistent with a local master plan binding for a given property. The local master plan is a local law for the specified area presenting a possible designation of properties covered by the plan. As a rule, no development of a non-agricultural character is allowed on agricultural land. Zoning is commonly controlled by local governments.

# Infrastructure

Before the final decision on the location of the project is made, it is extremely important to analyse the available infrastructure. The most important areas to investigate are:

1. Roads
2. Rail links
3. Airline access
4. Access to water

A high-level overview of CEE infrastructures is below:

| Country | Roads | Rail lines | Airports | Access to water |
|---|---|---|---|---|
| **Bulgaria** | 846 km of motorways, with 125 km under construction | Currently over 6,500 km of railway lines operated by state and private companies | Five international airports | Four ports. Borders with the Danube and the Black Sea. |
| **Czech Republic** | 1,350 km of highways | Currently 9,355 km of railway lines operated by state-owned and private companies | Five public international airports (with a total of 24 international airports) | There are no borders with the sea, however there are many rivers especially the Elbe flowing into the Nordic Sea. |
| **Hungary** | 1,855 km of highways | 8,057 km public railway lines operated by one state-owned and one with majority state ownership | Five international airports | Danube-Rhine-Main Canal and the Danube–Black Sea Canal as well as inland waterways |
| **Poland** | 4685,9 km of motorways (of which 1753,6 km are highways) | Currently over 20,000 km of railway operated by state-owned and private companies | 15 international airports | Borders with the Baltic Sea. The main ports are Gdańsk, Gdynia, Szczecin-Świnoujście, Kołobrzeg |
| **Romania** | 17,873 km of national roads, of which 6.200 km are European roads; and 992 km are highways | 10,777 km of public railway lines; | 16 international airports | Borders with the Black Sea. Main maritime ports are: Constanta, Sulina and Mangalia. Also crossed by the River Danube – main fluvio- maritime ports are Braila, Galati and Tulcea. |
| **Slovakia** | 854 km of highway (with a further 80 km under construction) | Currently over 3,600 km of railway lines operated by state-owned company | Nine international airports | River Danube flows through Bratislava and connects the North Sea and the Black Sea. |
| **Türkiye** | 97,738 km of highways (including motorways, state highways, and provincial roads) | 13,128 km of railway lines operated by state-owned companies (investment in fresh rail links is planned throughout the next seven years and the government aims to double the length, including 10.000 km of new lines for high-speed passenger routes) | 54 airports of which 37 are classified as international | 7,186 km of borders with the Black, Aegean, Mediterranean and Marmara Seas. The main ports are Ambarli, Barbaros, Mersin, Haydarpasa and Iskenderun. |
| **Ukraine**[1] | 9,331.1 km of motorways | 22,000 km of railway lines operated by a stated-owned company | 21 airports, of which 17 are classified as international | Borders the Black Sea and Sea of Azov. There are 13 seaports and 11 river terminals. |

1 The full-scale Russian invasion of Ukraine significantly affected public infrastructure, as many bridges, roads, airports, and other critical infrastructure were destroyed or damaged. The Russian invasion also led to the blockade of the Black Sea and the Sea of Azov and the temporal ban of Ukrainian airspace. However, the Ukrainian government is actively restoring the affected infrastructure and working on attracting investments for the pending and future rebuilding projects.

# Taxation

Tax will be a key issue when determining the location of an investment. An investor will usually act through an investment vehicle such as a company or partnership. The applicable tax regime will vary depending on the precise structure.

A high level overview of the main forms of tax is set out in the below table. It is always important to check the precise level of tax, and relevant exemptions, available in specific circumstances. It is also prudent to ascertain whether there are any stamp duties, transaction taxes etc. in place.

| Country | Personal Income Tax | Corporate Income Tax | VAT (standard rates) | Real estate tax |
|---|---|---|---|---|
| **Bulgaria** | **10%** | **10%** flat rate<br>Income tax and social security contributions relief available for specific business activities in certain areas. | **20%** | Determined by each municipality in the range of **0.1** to **4.5%** on the tax value / balance sheet value of the property. No RET on agricultural land. |
| **Czech Republic** | **15%** for the part of the annual income up to approx. **EUR 78,900**, and **23%** for the part of the annual income exceeding approx. **EUR 78,900** | **19%** | **10%**, **15%**, **21%** | According to type, location and purpose of use of the real estate etc. using these rates per m$^2$: Residential and agricultural: **EUR 0.08**, Industrial: **EUR 0.41**, Other business: **EUR 0.41**, Special industrial zones: exemption for up to **five years**. |
| **Hungary** | **15%** | **9%** | **5%**, **18%**, **27%** | Building tax/land tax can be imposed at the discretion of the municipalities. Max. annual building tax rate cannot exceed **HUF 2190.9** per m$^2$ or **3.6%** of the adjusted market value.<br>The maximum land tax rate cannot exceed **HUF 398.3** per m$^2$ or **3%** of the adjusted market value. |
| **Poland** | **12 – 32%** (or **19%** flat rate for entrepreneurs). In the case of income exceeding PLN 1 million (approx. EUR 212k), taxpayers are additionally obliged to pay the so-called solidarity duty of 4% exceeding PLN 1 million | **19%** Income tax<br>(**9%** for companies with revenues up to EUR 2m or companies in their first year of business activity);<br>exemptions for business activity in Special Economic Zones | **0%**, **5%**, **8%**, **23%** | Max. annual rate for land uses for business purposes cannot exceed **PLN 1,16** per m2 for buildings. Real estate tax exemptions may be granted to investors on the basis of a resolution passed by the relevant local authorities.<br><br>Max. annual rate of property tax in the case of buildings or their parts related to business activities and in the case of residential buildings or their parts used for business activities cannot exceed PLN 28.78 per 1 m$^2$ of usable area.<br><br>The maximum tax of RET in the case of non-building structures and parts thereof used to conduct economic activity cannot exceed 2% of their value for CIT depreciation. |

| Country | Personal Income Tax | Corporate Income Tax | VAT (standard rates) | Real estate tax |
|---|---|---|---|---|
| **Romania** | Personal income tax exemption for employees doing exclusively R&D in their first 10 years of activity | **16%** Profit tax exemption for R&D | **19%** | — For residential buildings: **0.08%** to **0.2%** of taxable value of building;<br>— For non-residential buildings: **0.2%** – **1.3%** (as per decision of local City Council) of taxable value of building;<br>— Re land tax: the formula depends on the category of land (agricultural/construction), the ranking of the location etc. |
| **Slovakia** | **19%** (annual income up to **EUR 37,163.36**)<br>**25%** (part of annual income exceeding **EUR 37,163.36**) | **21%**; and<br>**15%** for the taxpayer who earned a revenue (income) not exceeding EUR 100,000 (as of 1 January 2020). | **20%** and<br>10 % (reduced rate for certain goods and services) | Land tax is generally levied at **0.25%** of the land value, as assessed by the municipality. Rates vary depending on the type of land and its location.<br>The general tax rate on construction is **EUR 0.033** for every sq. m. occupied by the construction. The general tax rates above may be decreased or increased by the respective municipality. |
| **Türkiye** | **15-40%** | **23%** Exemptions provided for certain activities; such as those realised in Free Zones | **1%**, **8%**, **18%** | 0.1% - 0.2% for residential properties<br>0.2% - 0.4% for commercial properties<br>0.1% - 0.2% for farms<br>0.3% - 0.6% for lands |
| **Ukraine** | **18%** (plus extra 1.5% military levy) | Special rates apply to insurance and qualified IT companies<br><br>Following the large scale invasion of Russia into Ukraine and for the duration of martial law, companies may opt for simplified tax regime with payment of 2% tax on revenue instead of general corporate income tax | **0%** / **20%**; a reduced rate of **7%** applies to procurement of pharmaceuticals and certain devices for medical purposes; a reduced rate of **14%** applies to import and supply of certain grains. | Determined by each municipality depending on the type and location of property/land within the following margins:<br>— no more than **1.5%** of minimum statutory salary (currently approx. **EUR 3**) per square metre for residential and non-residential property;<br>— no less than **0.3%** and no more than **1%** of normative land value for agriculture land;<br>— no more than **1%** of normative land value for land of general usage;<br>— no more than **3%** of normative land value for other types of land (including industrial land and land for construction);<br>— no more than **12%** of normative land value for land under permanent lease by business entities. |

# Labour issues

EUROSTAT data shows that in 2022, average labour costs in the European Union amounted to EUR 30 per hour, and in the third quarter of 2022, the hourly labour costs rose by 2.9% in the euro area and by 3.4 % in the EU, compared with the same quarter of the previous year. Labour costs on average in CEE are approx. 70% lower than the equivalent rates in Western Europe.

| Costs | Bulgaria | Czech Republic | Hungary | Poland |
|---|---|---|---|---|
| **Approximate minimum gross monthly wage (EUR)** | **EUR 390** | **EUR 715** | **EUR 594** | **EUR 743** |
| **Approximate average gross monthly wage (EUR)** | **EUR 995** | **EUR 1,645** | **EUR 1,470** | **EUR 1,475** |
| **Social security costs** | **14,47%** for employers | **31.3%** for employers | **13%** for employers | approx. **20.5%** for employers |
| **Recorded unemployment** | **5.2%** (January 2023) | **2.2%** (January 2023) | **3.8%** (January 2023) | **5.2%** (December 2022) |
| **Proportion of trade union membership (approximate)** | **20%** | **12%** | **12%** | **15%** |

| Costs | Romania | Slovakia | Türkiye | Ukraine |
|---|---|---|---|---|
| **Approximate minimum gross monthly wage (EUR)** | **EUR 515** | **EUR 700** | **EUR 489** | **EUR 180** |
| **Approximate average gross monthly wage (EUR)** | **EUR 1,233** | **EUR 1,449** | **EUR 530** | **EUR 380** |
| **Social security costs** | **26.3%** for normal working conditions (increases to 36.3% for hazardous/ special conditions of work) | **35.2%** for employers | **22.5%** for employers | **22%** for employers (Unified Social Tax) |
| **Recorded unemployment** | **5.6%** (January 2023) | **5.8%** (January 2023) | **10.2%** (November 2022) | **35%** (July 2022) |
| **Proportion of trade union membership (approximate)** | **33%** | **15%** | **14.42%** | **63%** |

Although many employment laws are harmonised with EU rules, there are numerous differences between them and many country-specific variations. Nevertheless, there are some common legal characteristics.

Typically, across the region a staff member can be hired as an employee, freelancer or a self-employed entrepreneur. Non-employee structures may be attractive due to e.g. social security and tax requirements, but the employee-employer relationship still dominates and is promoted at both local and EU levels. Moreover, local authorities tend to fight 'hidden employment' structures, so freelancer and business-to-business structures may be subject to scrutiny. New entrants sometimes begin local operations with agency workers, i.e. employees recruited and hired by a temporary work agency. This is a quick and cheap option to start a business and get staff on board. However, restrictions on hiring agency staff limit the feasibility of this structure, so businesses usually eventually opt for permanent staff, predominantly employees. An employment relationship typically needs to be documented with a written contract. The main forms of contract are trial-period agreements, fixed-term contracts and open-ended contracts, with the latter being the preferred option for most CEE employers. Although fixed-term contracts are attractive for business, their usage is typically limited, e.g. the duration of a single contract may be restricted (e.g. in Poland to 33 months) or the cases when it may be applied are also restricted (e.g. in Ukraine a fixed-term employment agreement may be executed for instance to replace a temporarily absent employee, to perform seasonal work etc.).

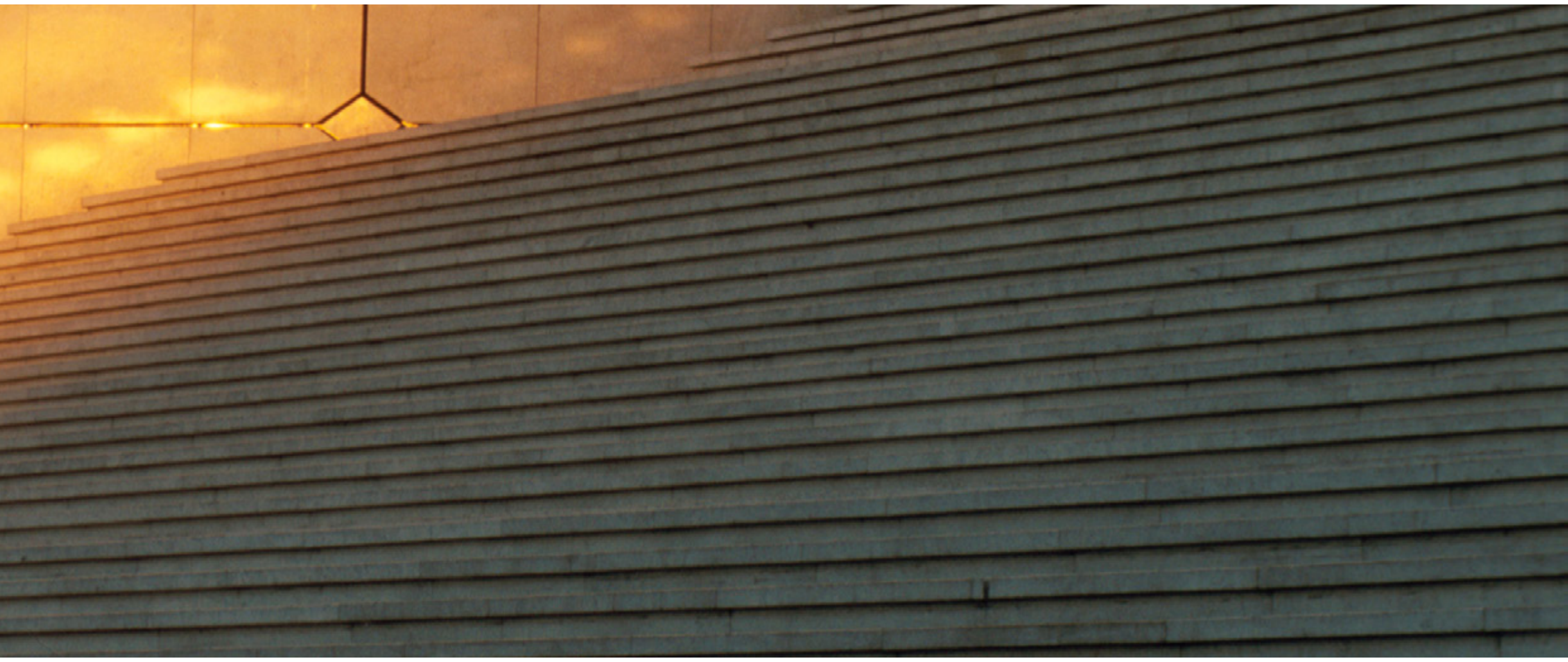
Although employment contracts are often simple and concise, many labour laws will automatically apply and govern the employment relationship. Each country has an extensive body of laws regulating issues such as working time, rest periods, overtime, work on Sundays etc. Investors should pay particular attention to working time restrictions, as they may not be in line with their business needs. For example, ensuring a 24/7 business operates within working time restrictions may be a challenge. Any violations may be closely monitored, as the law and local courts typically give preference to employees.

Most CEE countries protect employees against termination without notice. Such measures include: statutory notice periods, employer's obligations to give a reason for termination, classes of heavily protected employees e.g. pregnant employees. Moreover, individual or group redundancies will require payment of severance pay.

Hiring local staff will inevitably require an investor to comply with local tax, social security and payroll regulations. Typically, an employee must be covered by state-run pension insurance to which both the employer and the employee must contribute.

CEE countries – as required by EU laws (to the extent they apply) – allow employees to participate in the company's important decisions. Employees are free to establish trade unions and works councils. On many occasions employee representatives must be informed and consulted e.g. on issues such as mass lay-offs or social issues.

Employee mobility is key to the economic growth of CEE countries. In most cases, EU nationals can freely move between Member States and work in the country of their choice. Thanks to this, an investor may easily use its existing EU workforce and specialists to start operations in the CEE region. Non-EU citizens can only work and live in CEE countries after meeting visa and residency requirements.



# Utilities

Agreements concerning utilities (water supply, gas, electricity) will need to be signed between the investor and each supplier. For that purpose, it is crucial to define the exact needs of the investor.

It is an increasingly common practice in certain countries for investors to sign preliminary agreements with utility companies at the very beginning of the investment process. This enables the volume to be guaranteed and the price to be fixed.

The crucial aspects to be discussed with utilities suppliers are:

1. Costs;
2. Timing; and
3. The risk of routing utilities to the site.

# Tackling corruption

Many countries in Central and Eastern Europe are making determined efforts to tackle corruption. Nevertheless, corruption is more prevalent in CEE than it is in most parts of Western Europe. In the 2022 Transparency International Corruption Perceptions Index, the countries covered by this report have the following positions in the league table (where 1 is the least corrupt (Denmark) and 179 is the most corrupt (Somalia and South Sudan)).

| 72 | 41 | 77 | 63 |
|---|---|---|---|
| **Bulgaria** | **Czech Republic** | **Hungary** | **Romania** |
| 45 | 49 | 101 | 116 |
| **Poland** | **Slovakia** | **Türkiye** | **Ukraine** |

Any potential investor needs to be mindful of corruption related risk. It is, in particular, important to ensure that all staff and consultants working on an investment project are mindful of the risk and implement appropriate corporate procedure.

CMS has produced a comprehensive guide to anti-corruption laws in CEE and elsewhere. This can be found at cms.law/en/gbr/publication/cms-guide-to-anti-bribery-and-corruption-laws

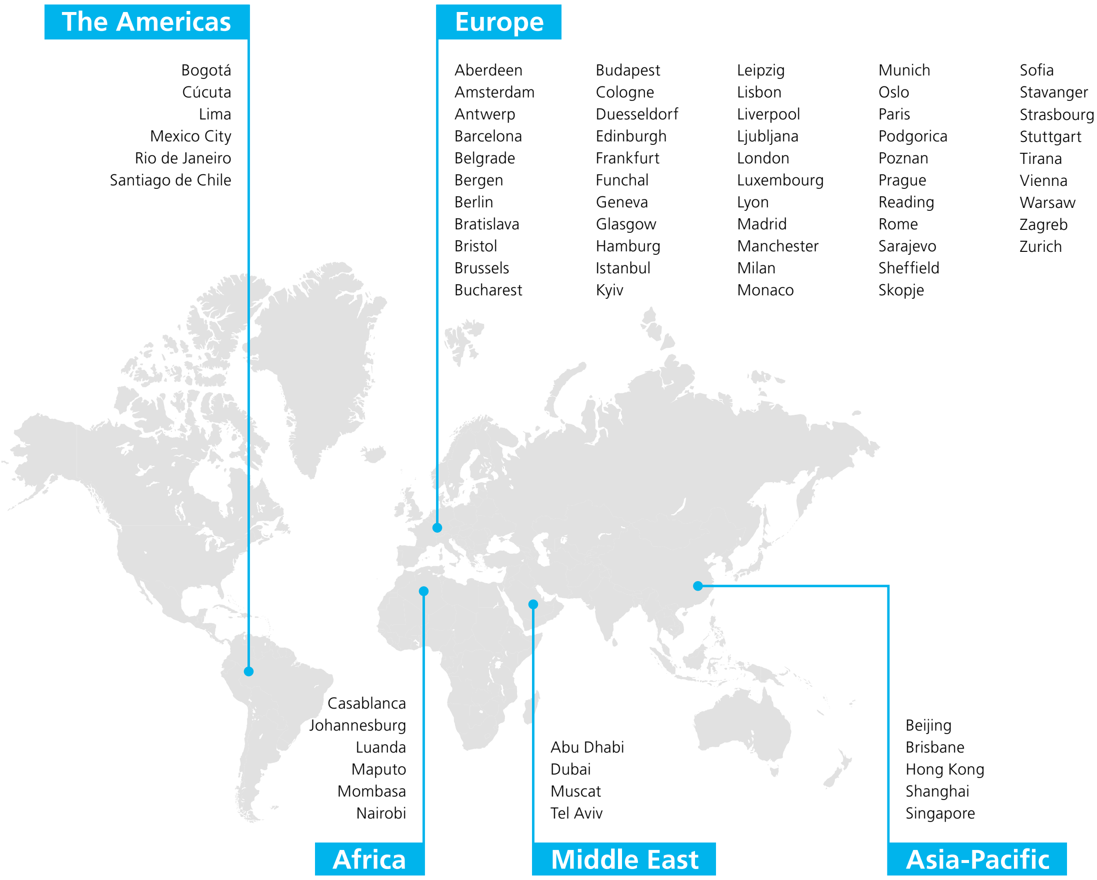
# Effective investment: Coordination of the project

Local legal systems are usually complex and provide many traps for the unwary. In order to minimize the timing of transaction it crucial to choose the appropriate legal advisor.

Ranked as the world's fifth largest law firm by lawyer headcount and sixth largest in the UK by revenue, CMS can work for you in 40+ countries from 70+ offices worldwide. Globally 5,000+ lawyers offer future facing, business-focused advice tailored to our clients' needs, whether in local markets or across multiple jurisdictions.

Embedded within CEE for over 30 years, CMS advises global corporates and financial institutions from its 17 offices in the region. With over 100 partners and 500 lawyers based here, CMS has more offices and more lawyers in CEE than any other law firm. We regularly mobilise large international teams for complex cross-border deals and projects and can offer both local and international (UK and US) lawyers on the ground. Client come to us for our in depth understanding of the CEE markets and ability to provide specialised sector expertise delivered in the commercial setting of our client's business.

Our clients benefit from well-established contacts with governments and investment authorities and a clear commercial approach to our clients' needs.



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# Contact with local authorities

Each country has its own Foreign Investment Agency which is a part of the governmental structure. Often investors will explore a number of countries at the outset. In such circumstances it makes sense to get the Foreign Investment Agencies to compete with each other. This can produce benefits later on, particularly if it elicits commitments to accelerate time scales.

It is generally recommended to commence contact with agencies at an early stage when starting to explore markets. The agencies can provide a great deal of know-how and logistical support including assistance with identifying suitable locations. The details of each agency are provided below.

## Invest Bulgaria Agency

Invest Bulgaria Agency is an institution for encouraging, attracting and assisting foreign investments and priority investment projects to the Republic of Bulgaria. The function of the Agency is to assist the companies in the investment process, and to also provide prospective investors with up to date information on the investment process in the country, legal advice, identification of suitable Bulgarian partners, co-ordination of the investment policy with other institutions, etc. Invest Bulgaria Agency also assists investors in their dealing with all Bulgarian government institutions.

www.investbg.government.bg
**T** +359 2 9855500
**E** iba@investbg.government.bg

## CzechInvest

CzechInvest was established in the year 1992. CzechInvest is an agency of the Ministry of Industry and Trade that advises and supports existing and new entrepreneurs and foreign investors in the Czech Republic. CzechInvest is exclusively authorized to file applications for investment incentives at the competent governing bodies and prepares draft offers to grant investment incentives. Its task is also to provide potential investors current data and information on business climate, investment environment and investment opportunities in the Czech Republic. In 2016, the Agency for Entrepreneurship and Innovation split away from CzechInvest and is now responsible for the drawdown of money from the European Union funds from 1 January 2016.

www.czechinvest.org
**T** +420 727 850 330
**E** fdi@czechinvest.org

## Hungarian Investment Promotion Agency

The Hungarian Investment Promotion Agency (HIPA) provides support with your investment in Hungary, whether it is a greenfield project or the extension of your existing production capacity.
Since its establishment in 2014, HIPA has been involved in closing 1,914 deals which resulted in an investment volume of EUR 36 billion and over 130,000 new jobs nationwide.
In 2022 we broke all previous records as 92 projects generated investments worth EUR 6.5 billion.

www.hipa.hu
**T** +36 1 872 6520
**E** info@hipa.hu

## Polish Investment and Trade Agency

The Polish Investment and Trade Agency (PAIH) helps investors to enter the Polish market and find the best ways to utilise the possibilities available to them. The Agency also guides investors through all the essential administrative and legal procedures that involve a project. PAIH provides rapid access to the complex information relating to legal and business matters regarding the investments, helps in finding the appropriate partners and suppliers, together
with new locations.

www.paih.gov.pl
**T** +48 22 334 99 99
**E** invest@paih.gov.pl

## Romanian Foreign Investments Department

The Romanian Foreign Investments Department is a Romanian Governmental agency. Its main functions consist of the coordination, monitoring and application of governmental policies in the field of promotion, marketing, attracting and implementing direct foreign investments in Romania, and in the field of public private partnerships. Among others, it supports the implementation of foreign investments, acting as a point of contact between foreign investors/partners and, as applicable, central and local Governmental authorities.

www.imm.gov.ro/en/investitii-straine
investromania@investromania.gov.ro /
office@investromania.gov.ro;

## Slovak Investment and Trade Development Agency (SARIO)

SARIO is a government-funded allowance organization that works under the supervision of the Ministry of Economy of the Slovak Republic. The mission of the agency is to design and use all kinds of stimuli to increase the influx of foreign investment while promoting Slovak companies in their effort to transform into high-performance businesses in the globalized world market. SARIO provides in–depth information about Slovak business environment, industry opportunities, complex information on setting up a business, site selection assistance as well as real estate services. The provision of consultancy services on state incentives is one of the integral parts of SARIO´s agenda.

www.sario.sk/en
**T** +421 2 58 260 100
**E** sario@sario.sk

## Presidency of the Republic of Türkiye Investment Office

The Presidency of the Republic of Türkiye Investment Office is the official agency that promotes Türkiye's investment opportunities and providing assistance to investors in all stages of an investment. It reports directly to the Prime Minister and encourages investments for the economic development of Türkiye.

www.invest.gov.tr
**T** +90 312 413 89 00

## UkraineInvest

UkraineInvest is Ukraine's official Investment Promotion Office. UkraineInvest was created to attract and support investment in Ukraine, and can assist with the following:

- identifying opportunities, trouble-shooting and providing direction;
- providing the details that lead to informed decisions about how and why Ukraine could be the right business destination;
- providing connections across the country in business and government, connecting investors to those they want and need to know; and
- providing experience and expertise in high-potential, high-growth sectors and niche markets, so investors benefit from both a broad view and in-depth look at the opportunities.

www.ukraineinvest.gov.ua
**T** +38 098 567 88 99

For General Information or Contacts:
info@ukraineinvest.com

For Specific Investment Support:
info@ukraineinvest.gov.ua

## Office of the National Investment Council of Ukraine

The National Investment Council of Ukraine promotes investment and provides advisory solutions for investors. The institution offers support to priority investment projects, improves the investment environment, guarantees the protection of investors' rights, and ensures effective cooperation between investors and state authorities.

Although it is an NGO, the Office works closely with the government and investors looking for investment opportunities in Ukraine.

www.nicouncil.org.ua/nicoffice/

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