

Greenfield investments in CEE

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CEE region

Issues to consider when making a greenfield investment in CEE

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

In particular, the guide provides a useful overview of the incentives available in each country and the commitments that investors may need to make in order to obtain them. For EU countries, we also evaluate local implementation of the new Temporary Crisis Transitional Framework and look at how investors can avail themselves of the opportunities offered by this. 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 investments made by companies in Europe. Investors have been attracted by a variety of factors, including, in particular, lower labour costs. In recent years, we have seen many new investments being announced from companies such as Nokian Tyres, Pepsico and BYD.

Over the last few years there have been a few discernable trends in greenfield investment in the CEE region. The first has been the increased amount of investment by Asian companies. In recent years, Korea has regularly been one of the top three investors in many countries in the region. Even more pronounced is the increasing interest in the region from Chinese companies, as they look to create manufacturing hubs in Europe. Much of this investment has been focused on Hungary up until now, but we are starting to see signs of Chinese interest in other countries in the region.

In recent years there has been strong investment by companies from the automotive sector, with a focus on battery production and the assembly or production of electric vehicles. Many of these deals are high profile but there are often smaller and less publicized investments by Tier 1 and Tier 2 automotive component suppliers. We see this trend continuing over the coming years, particularly with further investment likely by Chinese automotive companies. They see likely strong demand for their products in Europe but are concerned about the impact of tariff barriers on imports of vehicles from China. Hence a desire to manufacture locally.

There is also a notable trend throughout most of Europe towards renewable energy sources – this will entail the production of substantial quantities of equipment, both for domestic and commercial installations. In recent times we have seen the announcement of several wind turbine manufacturing plants in the region, and we anticipate more will follow.

Just before publication of this guide, the world economy was shaken by a tariffs battle initiated by the US. Although at the moment of releasing the guide it is not entirely clear how the battle will play out, it seems likely that the tariffs imposed by the Trump administration and those imposed reciprocally by the countries will have a significant impact on global trade dynamics and may lead to further nearshoring of production. Greater nearshoring had already been anticipated following Covid related supply chain disruptions and concerns about disruptions caused by tensions between mainland China and Taiwan. The “Trump” tariffs may further boost manufacturing investments in Europe, with a significant part of new investment plans likely to be realised in the CEE region.

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. Possible labour shortages in certain sectors 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 2025. However, laws can change to respond to the more and more dynamic geopolitical and geoeconomic changes we are all facing. We recommend taking full legal advice before making any investment decision.

In numbers

293m

Population

**EUR
1.8trn**

GDP in total

**EUR
2.018trn**

EU funds in total (2022–2027)

Largest investments in CEE

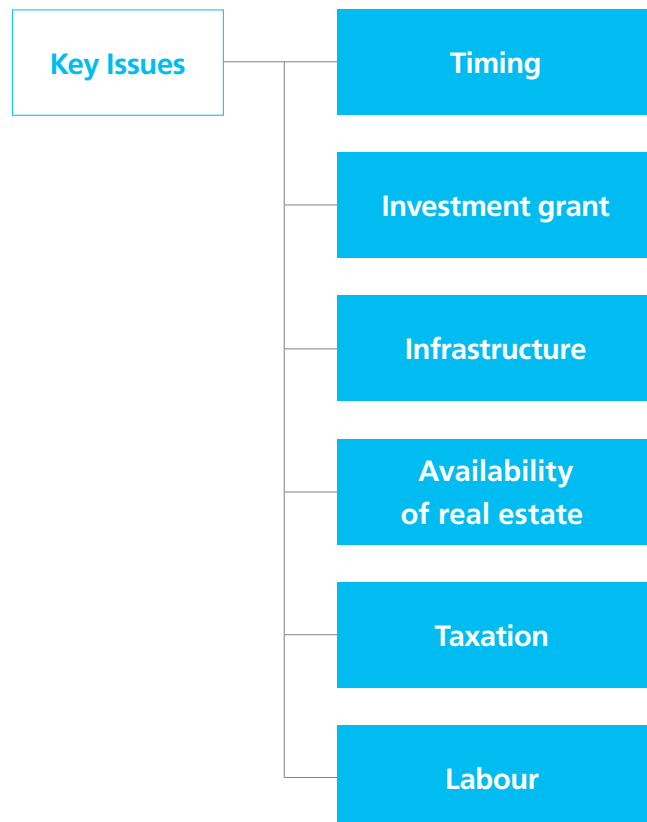
Region	Machinery	IT & Telecoms	Shared Services Centres
Bulgaria	Ixetic, Lufthansa Technik, Montupet, Palfinger, SKF, Yazaki Corporation, Teklos, MD Elektronik, Leoni, Voss Automotive, Sensata Technologies, KOSTAL Bulgaria Automotive	ICB, CISCO, Microsoft, HP, VMWare, Google	Coca-Cola Hellenic Bottling Company, HP, AIG, World Bank
Czech Republic	GE Aviation, Honeywell Aerospace, Latecoere, Bell Helicopters, Safran, Bombardier, Daikin, Edwards, Ingersoll Rand, Siemens	Microsoft, Pure Storage, Red Hat, Solarwinds, Tieto	–
Hungary	BYD, CATL, DS Smith, BMW, Schott Hungary Kft., Bayer Construct Zrt., Alstom, Stellantis	4iG, Magyar Telekom, Commsignia, FiberHome, Genesys	CallComm Zrt.
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	–
ABB, Hitachi, Foxconn, On Semiconductor, Panasonic	Hyundai, Nexen Tire, Robert Bosch, Toyota, Volkswagen	Lonza, MSD, Otsuka Pharmaceutical, Synthon, Teva Pharmaceutical Industries	BMW Mobility Development Center, Eaton European Innovation Centre
Schneider Electric, TDK Corporation, Lightware Zrt, Bumchun	BYD, CATL, BMW, Flex, Stellantis, Stadler, Feintool, SMR Automotive	Novartis	Schaeffler, Lightware Zrt, Evosoft Hungary Kft.
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			

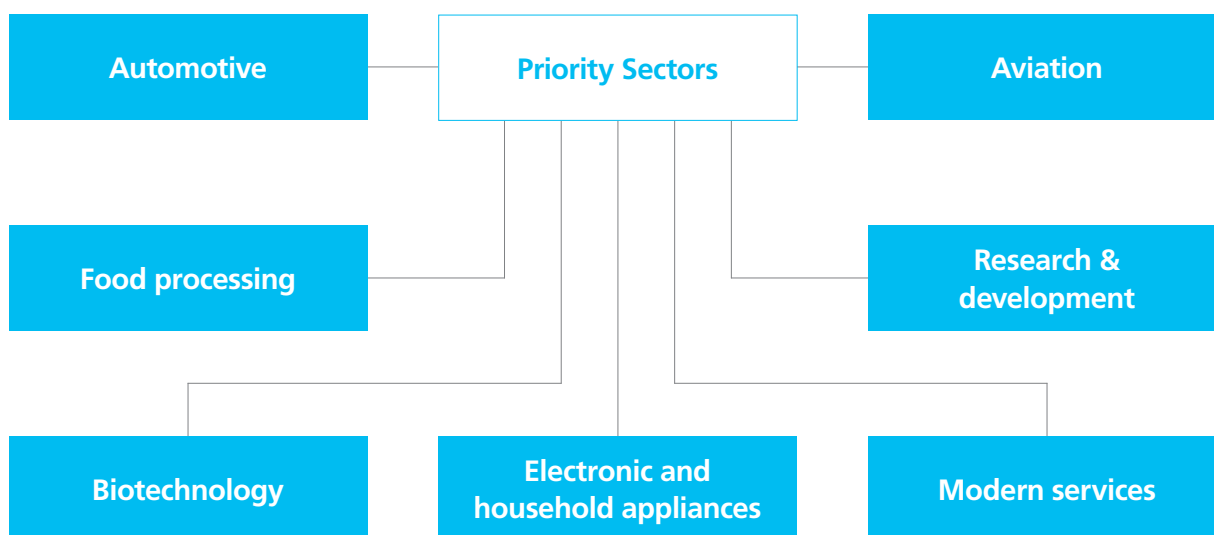
Balancing the factors in CEE

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.



Investment grants



EU rules

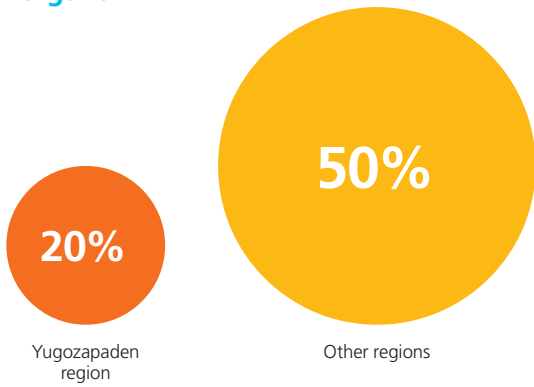
Generally, under EU law it is prohibited to grant any kind of incentives that may affect competition and trade between Member States. However, there are a number of exceptions from this general rule, allowing the granting of aid for research and development, training, the creation of employment and environmental 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 sectoral 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.

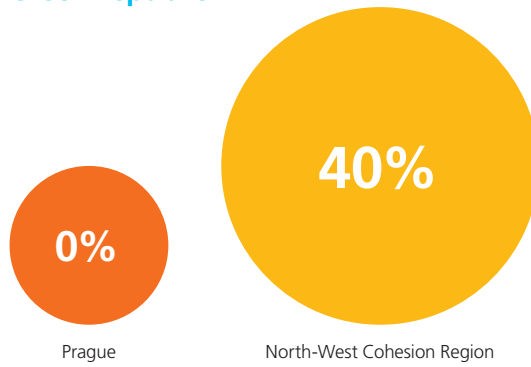
As many of the countries in CEE are less economically developed than their western European counterparts, aid is often permissible under EU law to encourage development within regions. It is generally the case that aid tends to be more generous away from major conurbations. For example, in Poland, aid 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 countries¹:

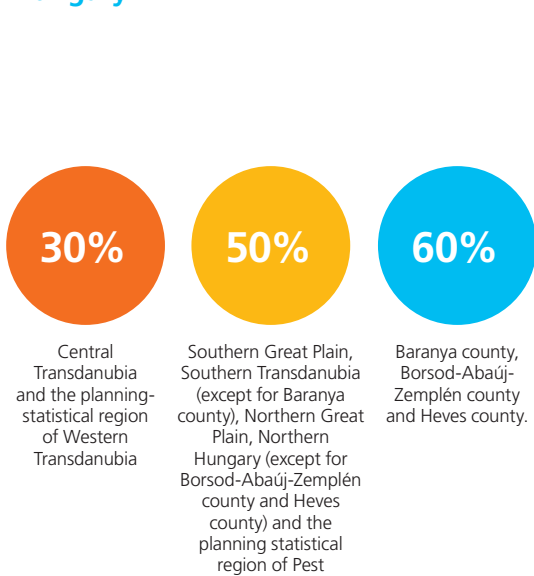
Bulgaria



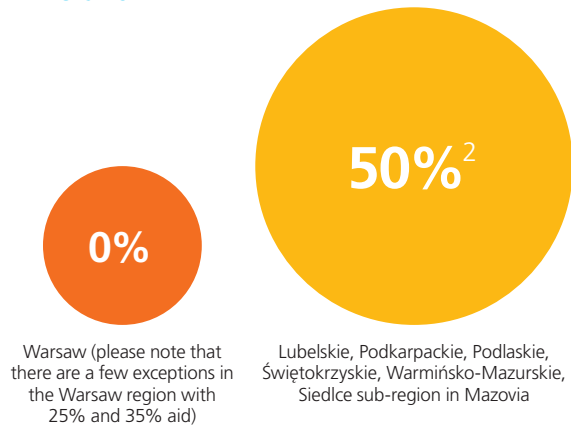
Czech Republic



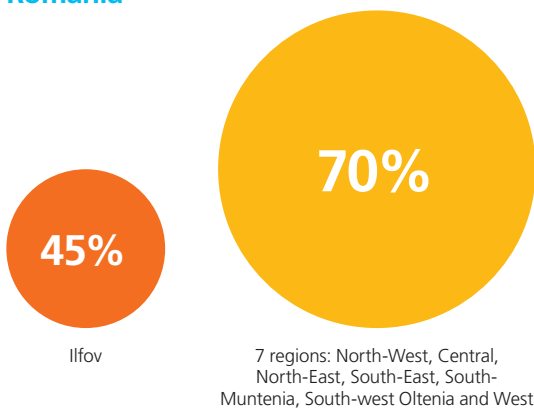
Hungary



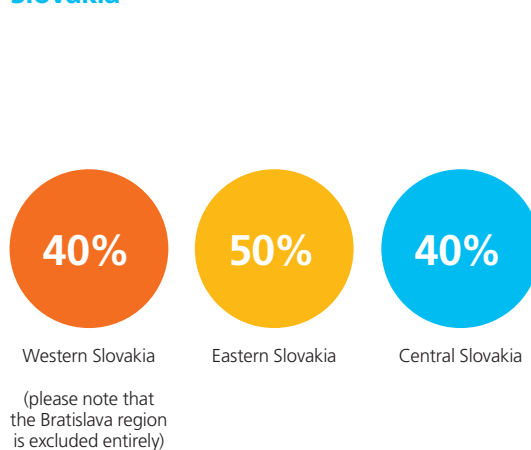
Poland



Romania



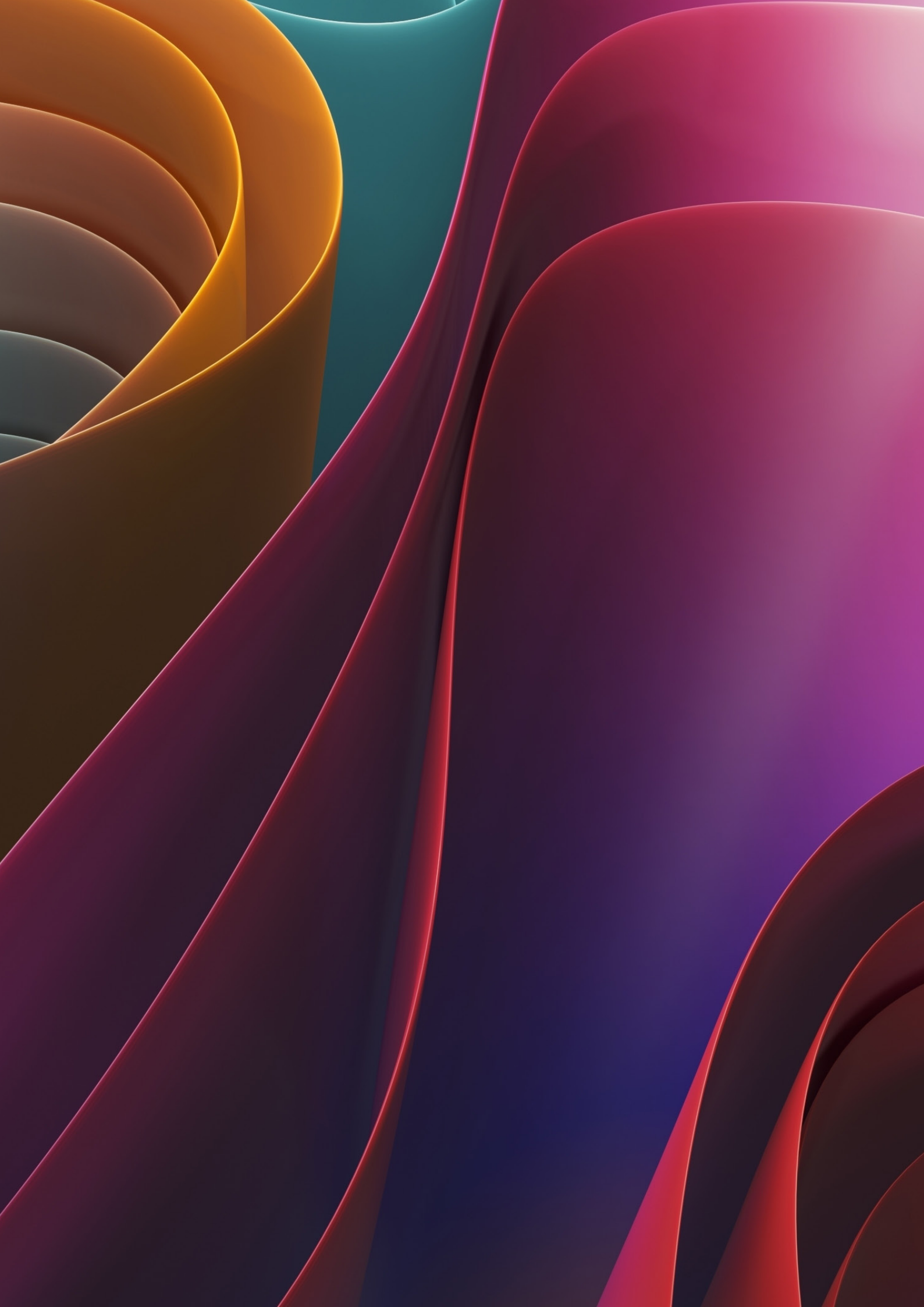
Slovakia



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

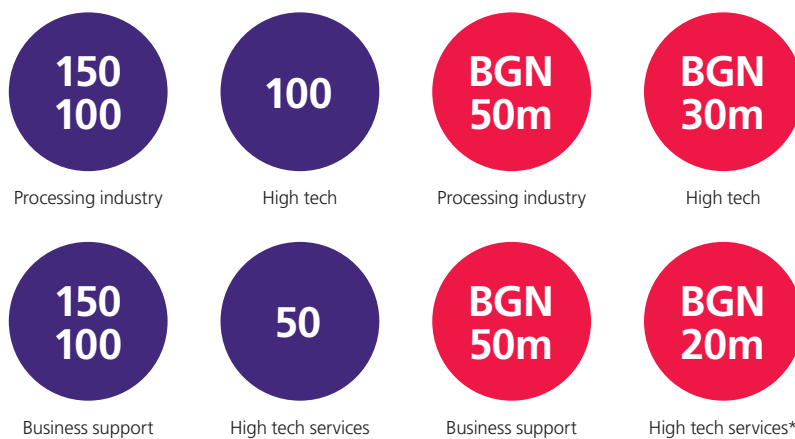
In Bulgaria there are two main categories of support – (A) employment subsidies (i) as cash grants to enable existing and/or new employees to obtain further qualifications and/or (ii) reimbursement of actually paid by the employer social security and health insurance contributions for the creation of 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. Priority projects enjoy also subsidies for R&D activities. Investment projects are classified as Priority Projects, 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

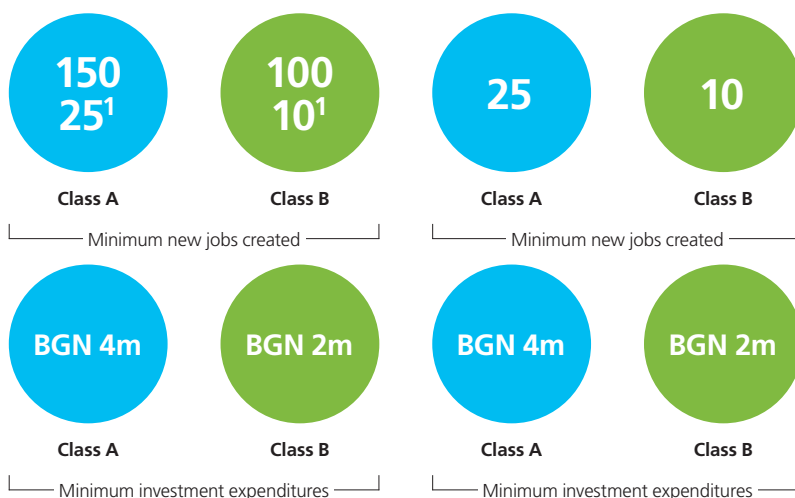
Priority Projects

Jobs



*May be lower if implemented in municipalities with high unemployment level.

Processing industry

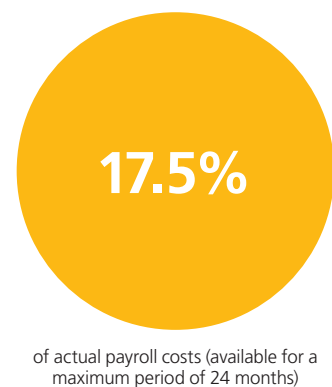


High-tech industry sectors:

Automotive, biotechnology, chemicals, pharmaceutical, electronics incl. household appliances, medical appliances

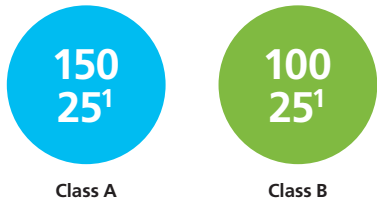
Available support

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

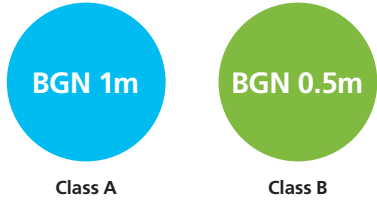


¹ Lower investment expenditure and job creation requirements apply where the investment project is implemented entirely in municipalities with unemployment levels that are higher or equal to the country average unemployment level.

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

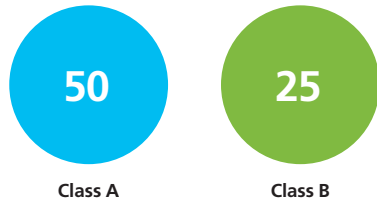


Minimum new jobs created

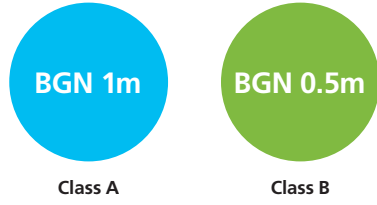


Minimum investment expenditures

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

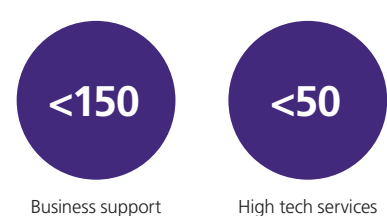


Minimum new jobs created



Minimum investment expenditures

Priority Projects



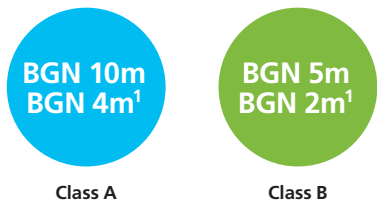
Minimum investment expenditure as under the above comment

Employment subsidies and support for new investment without minimum required job creation
Required level of investment and job creation

Processing industry



Minimum new jobs created



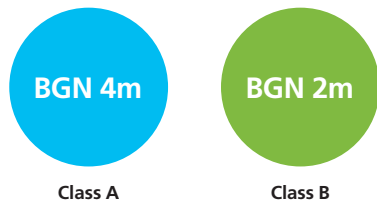
Minimum investment expenditures

High-tech industry sectors:

Automotive, biotechnology, chemicals, pharmaceutical, electronics incl. household appliances, medical appliances



Minimum new jobs created

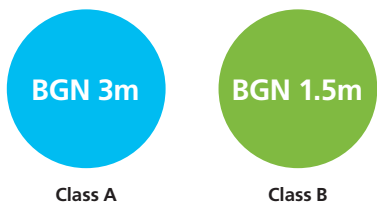


Minimum investment expenditures

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

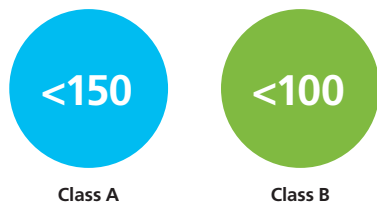


Minimum new jobs created

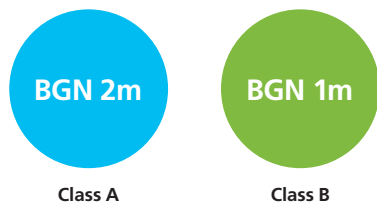


Minimum investment expenditures

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



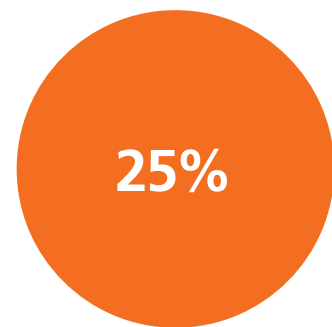
Minimum new jobs created



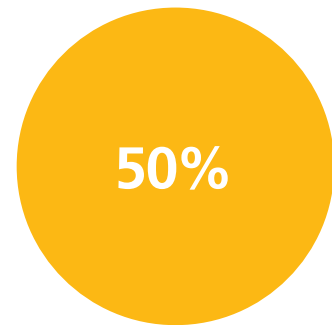
Minimum investment expenditures

Available support

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



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



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.



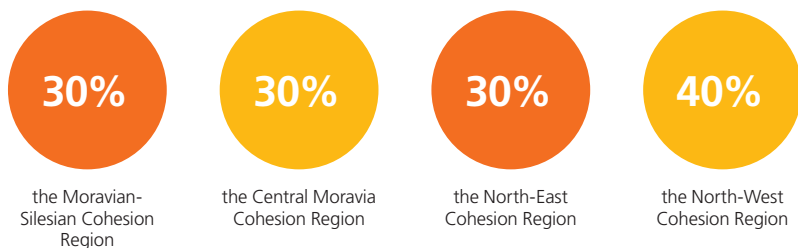
Czech Republic

In the Czech Republic there are six categories of support – (i) cash grants for job creation, (ii) cash grants for training and retraining, (iii) cash grants for purchase of fixed assets, (iv) corporate income-tax relief, (v) transfer of land including related infrastructure at a preferential price, and (vi) exemption from property tax in special industrial zones.

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:



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 15% in other districts;
- the South-East Cohesion Region: 15%;
- the Central Bohemia Cohesion Region: 25% in the Rakovník, Kladno and Mělník districts, and 15% in other districts.

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.



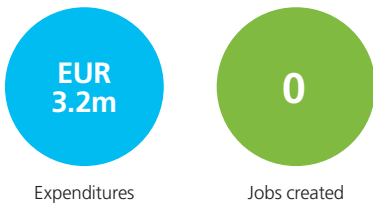
Required level of investment and job creation

Czech law sets minimum expenditure and jobs creation thresholds (to be achieved within 3 years) for investment projects/strategic investment projects depending on the investment sector – manufacturing, tech centers, strategic services.

Regarding the investment projects, the expenditure threshold decreases by 50% if it is to be conducted by a medium-sized enterprise, and by 75% if it is to be conducted by a small enterprise. The jobs creation threshold decreases by 50% in the case of small or medium-sized enterprises, and by 100% if the entire investment operation is to be carried out within an Important Project of Common European Interest.

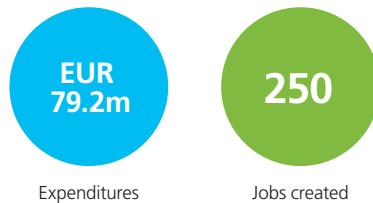
Investment project

Manufacturing



Strategic investment project

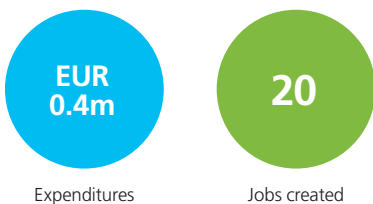
Manufacturing



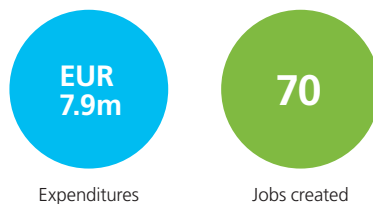
In case of investments in manufacturing, the expenditure threshold decreases by 50 % if the entire investment in manufacturing is to be carried out i) in a district with higher unemployment rate (7.5%), ii) in the territory of a state-assisted region, or iii) in the territory of a special industrial zone.

Furthermore, each applicant must conduct the investment with “higher value added” and do one of the following: i) pay 2% of the expected eligible costs on RD collaboration and employ at least 10% of staff with a higher education degree; ii) employ research and development staff, with a share of at least 3% of researchers; iii) acquire new research and development technologies worth 10% of the expected eligible costs. This condition does not apply, if the entire investment operation (a) is to be carried out in a district with higher unemployment rate (7.5%), (b) is to be carried out within an Important Project of Common European Interest, or (c) classifies as a strategic investment project, with the exception of a strategic investment project in a technology-intensive manufacturing sector.

Tech centres



Tech centres



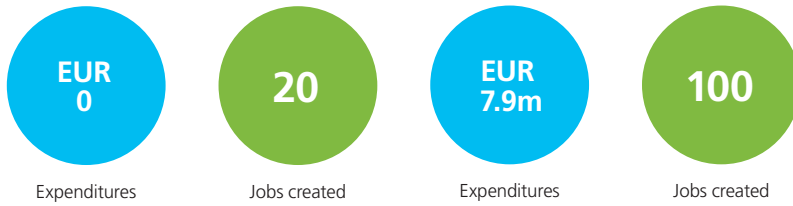
Investment project

Strategic investment project

Strategic services

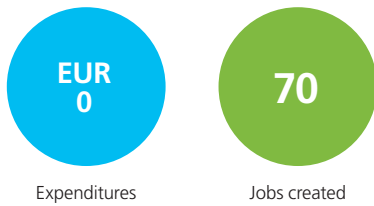
Apart from beneath mentioned thresholds, applicant must conduct investment with so-called "higher value added".

Software development & Data centres



High-tech repair centres

Shared- services



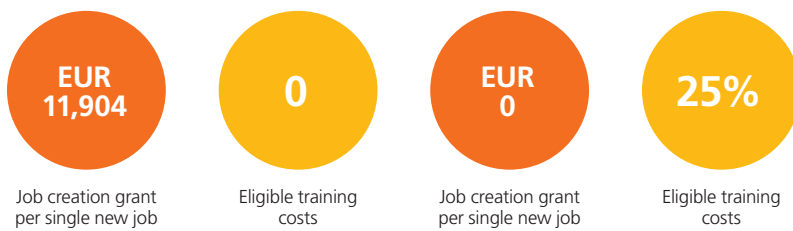
High-tech repair centres



Employment subsidies

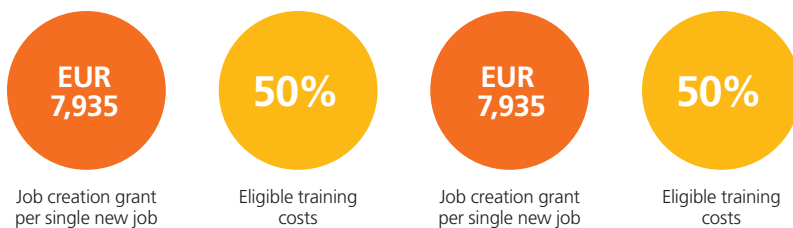
Employment subsidies as cash grants for (i) job creation and (ii) training and retraining are, in the case of manufacturing, available only in regions with higher unemployment rate (7,5%). Tech centres are not limited by the unemployment rate but are not provided within Prague region. The subsidies are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

Special industrial zones¹



Above 25% of the national average

Above 50% of the national average



Tech centres

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

¹ Industrial Zone Ostrava - Mošnov;
Industrial Zone Holešov;
Industrial Zone Most - Joseph

Temporary Crisis and Transition Framework

In September 2023, the State Environment Fund of the Czech Republic has published a **Temporary Crisis and Transition Framework aid scheme for the Czech Republic** allocating in total the amount of EUR 2.5 billion for decarbonising production processes and improving energy efficiency. The scheme has been approved by the European Commission in October 2023.

The scheme will be fully funded through the EU Modernisation Fund, the aid will take the form of direct grants.

The main types of projects supported include the modernisation (reconstruction or replacement) of the energy source, including the associated energy distribution systems, leading to an increase in its efficiency and thus a reduction in primary energy consumption from non-renewable sources, or reconfiguration of production or processing facilities aimed at reducing primary energy consumption from non-renewable sources and reducing CO2 emissions in the production or processing process.

In the framework of the implementation of the projects it is possible to further support:

1. hydrogen applications,
2. reducing the energy consumption of buildings,
3. installation of photovoltaic power plants and other non-fuel renewable energy sources (with self-consumption of the electricity thus produced with a minimum of 80% of the energy generated),
4. introduction of energy efficiency management elements

The main eligible expenses related to the investment include e.g. direct implementation expenditure, i.e. expenditure on works, supplies and services directly related to the object of the aid, which contribute to the achievement of the objectives of the project concerned or activities of professional technical and authorial supervision. The support will be provided based on a contract with the State Environment Fund of the Czech Republic in the form of ex post subsidies paid on an ongoing basis.

The aid per beneficiary will not exceed either EUR 200 million or 10% of the total budget of the scheme, except for projects concerning refining activities and manufacturing of basic metals, for which Czechia demonstrated that individual amounts up to 20% of the total budget of the scheme may be necessary.

The aid will not exceed the aid intensities set out in the Temporary Crisis and Transition Framework, and should terminate as of 31 December 2025.

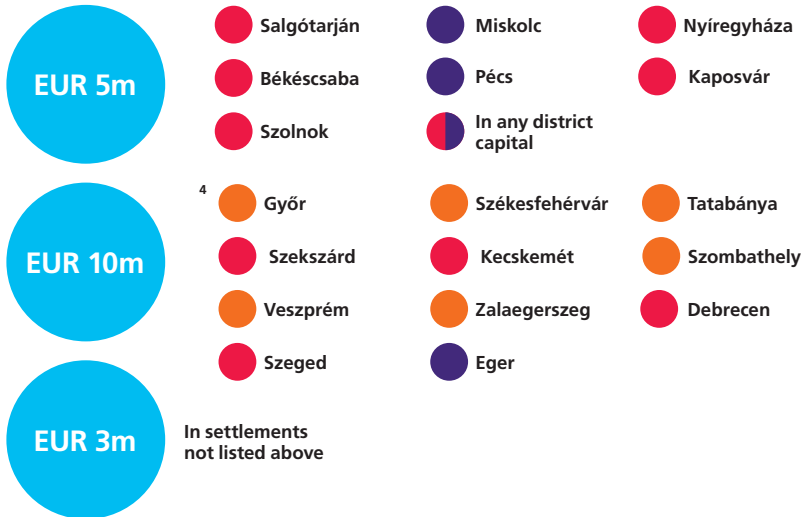


Hungary

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.

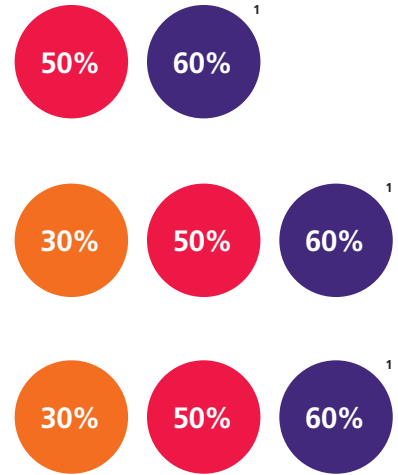
Required level of investment and job creation

Initial investment (irrespective of size of Company) eligible costs calculated based on investment amount³



Available support

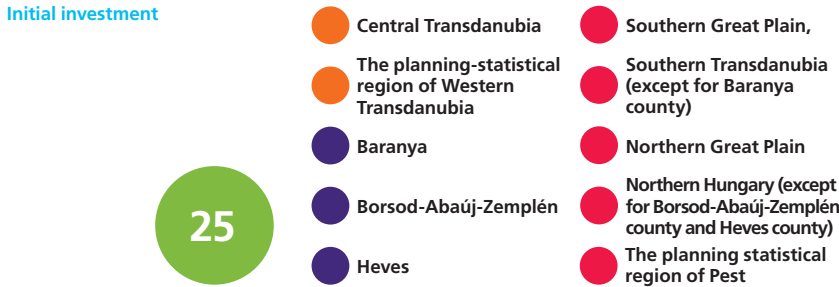
(Depending on region)



Required level of investment and job creation

Setting up a Shared services center³

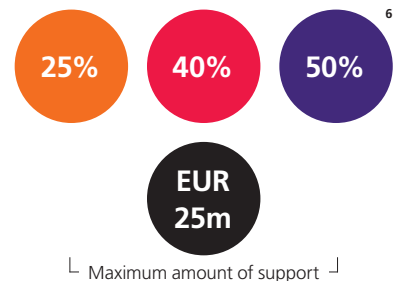
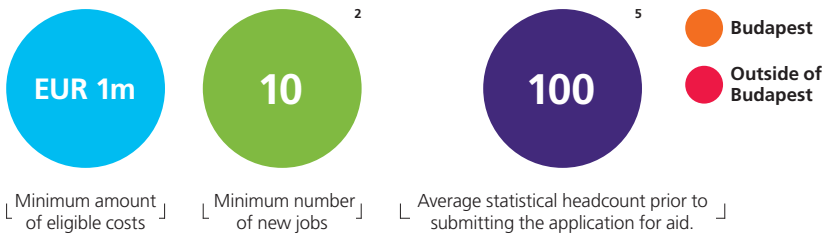
Initial investment



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



Research and development by a large or medium-sized enterprise



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% in case of investments under the STEP Regulation the maximum level of support may be increased by 10 percentage points.

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

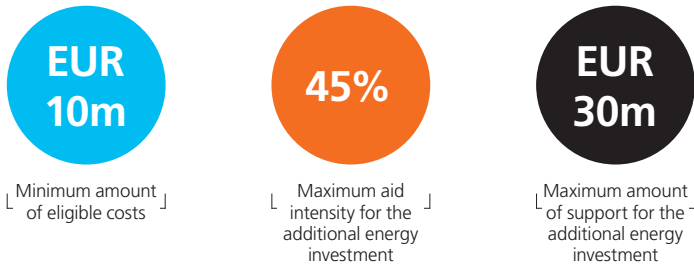
³ The initial investment may also be implemented by dividing it into two parts and implementing a main investment and a secondary energy investment. The eligible costs of the main investment shall exceed half of the total investment value

⁴ If the county capital and the district capital are the same, the higher amount prevails

⁵ In case of investments by medium-sized enterprises, the sum of the statistical headcount of the investor and its direct owner holding dominant influence together shall reach 100 persons in the financial year prior to submitting the application for aid.

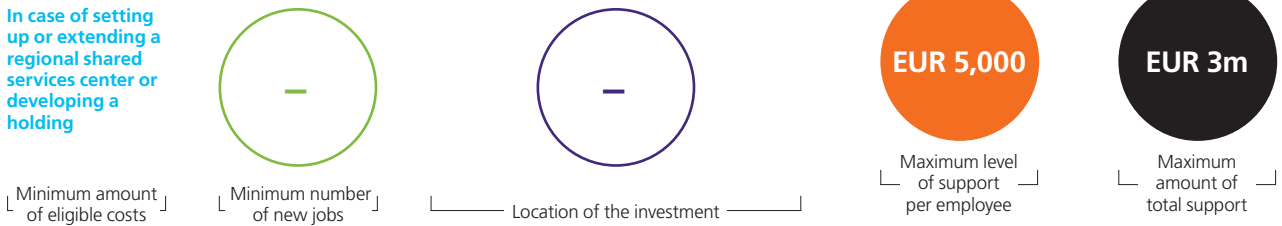
⁶ In case of applied research if the investment consists of both experimental development and applied research.

Investment to support renewable energy in Budapest (irrespective of size of Company)¹

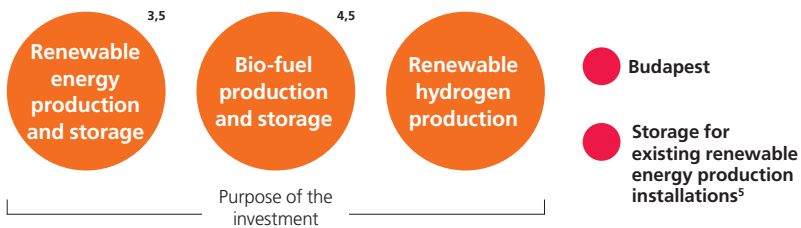


Special non-refundable job creation/training subsidy²

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



Investment in renewable energy/hydrogen by large enterprise



Maximum support



If the investment is implemented by large enterprises affected by the Russian aggression against Ukraine and/or by the sanctions imposed or by the retaliatory counter measures taken in response



¹ The investment shall consist of a main investment and an additional energy investment. The eligible costs of the main investment shall exceed half of the total investment value.

² 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.

³ The storage facility shall obtain at least 75% of its annual energy from the directly connected renewable energy production installation.

⁴ The fuel shall be compliant with the EU requirements and the storage facility shall obtain at least 75% of its annual fuel content from the directly connected renewable bio-fuel production installation.

⁵ Renewable energy production and storage and Bio-fuel production and storage shall be deemed as one single investment in connection with the EUR 30m limit.

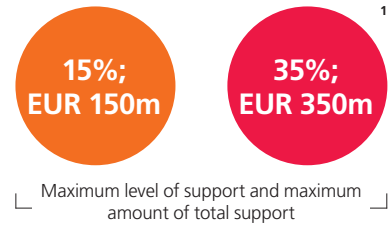
Accelerated investments in sectors strategic for the transition towards a net-zero economy

Purpose of the investment

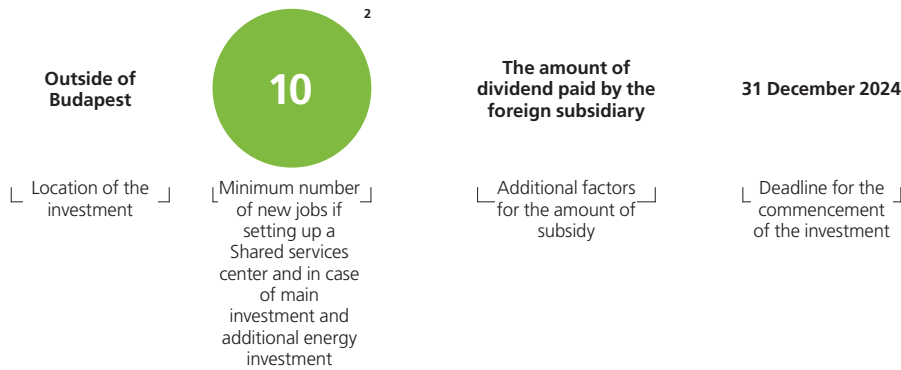
- (i) the production of relevant equipment for the transition towards a net-zero economy, namely batteries, solar panels, wind turbines, heat-pumps, electrolysers, and equipment for carbon capture usage and storage (CCUS)
- (ii) the production of key components designed and primarily used as direct input for the production of the equipment
- (iii) the production or recovery of related critical raw materials necessary for the production of the equipment and key components

- Budapest
- Settlements outside of Budapest

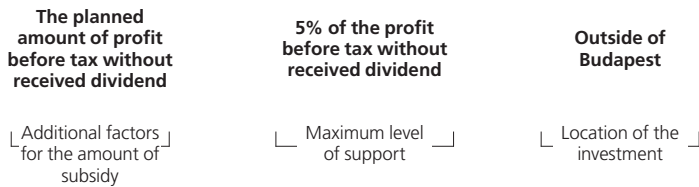
Maximum support



Profit repatriation-based subsidy for initial investment by Hungarian companies (irrespective of the size of Company) with foreign subsidiaries



Profit-based subsidy for initial investments by Hungarian large enterprises that are members of company groups covered by the global minimum tax



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, shared services centres and increasing the resilience of critical organisations and organisations significant for the defence and security of Hungary.

For investments other than R&D investments and profit repatriation, 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.

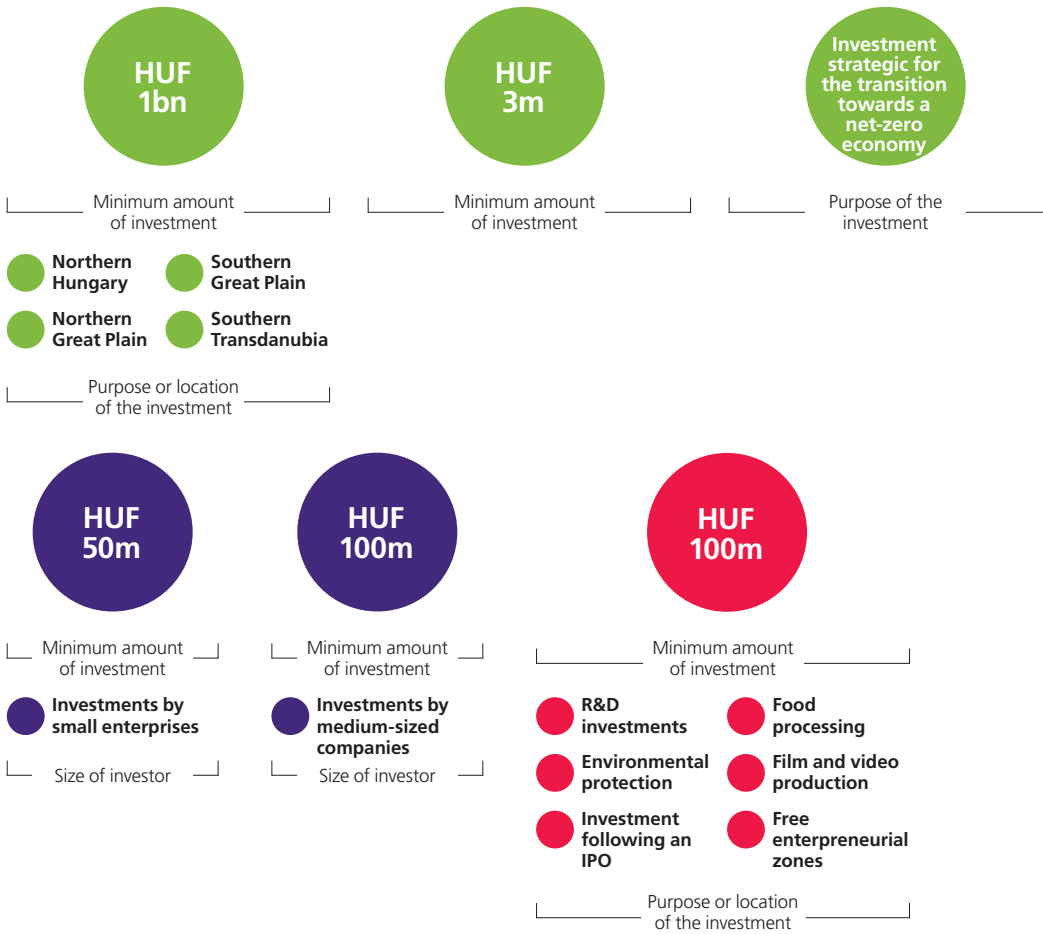
In case of enterprises that do not qualify as newly established, investors must increase the company's base sales revenue and/or its base wage expenses by at least 30%, or the combined increase of the sales revenue and wages must reach 30%.

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 The requirement of new jobs only applies to main investment and additional energy investment if the eligible costs are based on the costs of tangible and intangible assets.

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:



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 300m, 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

Business Service Center (Intermediate, advanced and highly advanced services processes)



Research and Development Service Center



Grants for new investment

Strategic



Innovative



Research and Development Service Center



Minimum eligible costs Minimum new employment

Maximum support

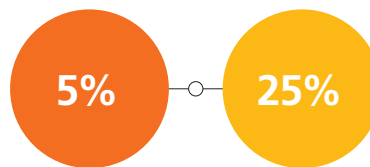


Per new job

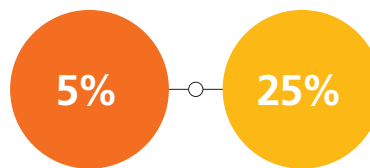


Per new job

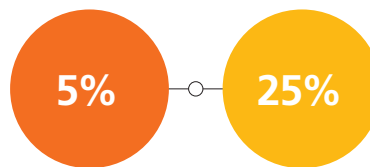
Maximum support



as % eligible costs



as % eligible costs



as % eligible costs

The requirements in terms of the number of jobs and capital decrease depending on the number of workers employed by the investor and the turnover of the investor (e.g. The minimum requirements for micro entrepreneurs can be reduced by up to 98% or small entrepreneurs can be reduced by up to 95%).

*in the case of locating the investment in the area of the country where the maximum regional aid intensity is 50% or in an area at risk of exclusion

**for those with higher education (requirement is not modified by the size of the enterprise)

***in the case at least 100 new jobs being created

****in the case of creating at least 200 new jobs or having the official status of a Research and Development Centre.

Temporary Crisis and Transition Framework

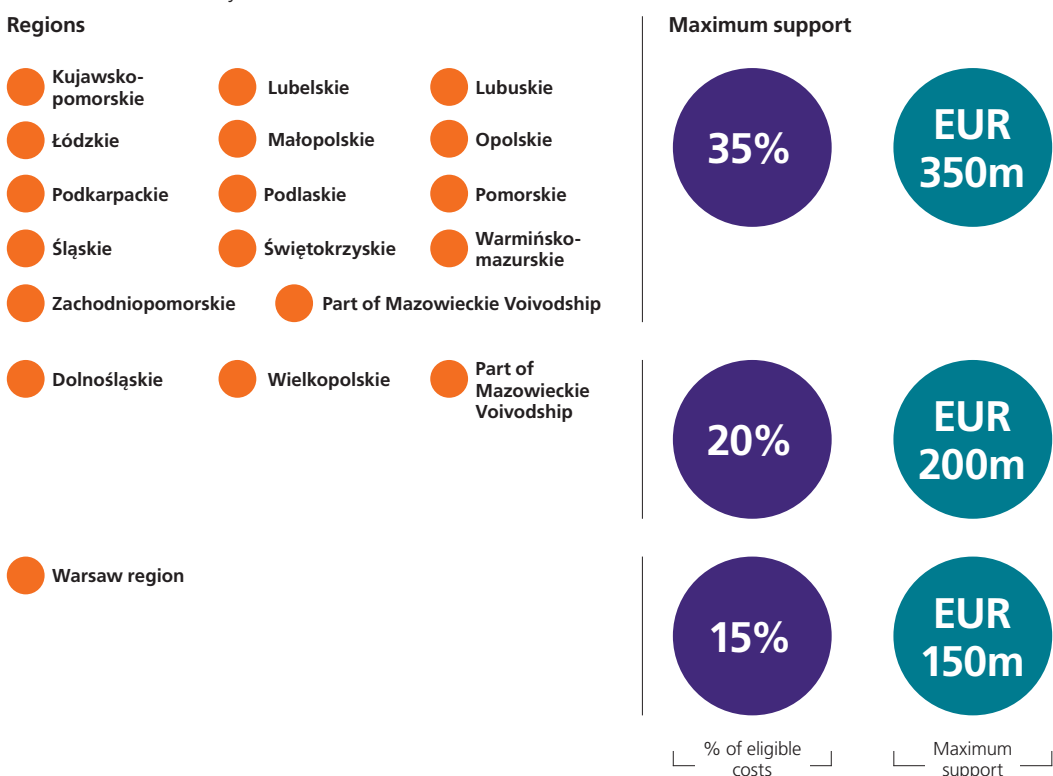
Poland introduced support measures under the Temporary Crisis and Transition Framework in sectors that are key to the transition to a climate-neutral and carbon-neutral industry.

Projects for which companies can apply for a grant include the production of batteries, solar panels, wind turbines, heat pumps, electrolysers and equipment for carbon capture, utilisation, and storage (CCUS). Eligible costs include i.e. tangible assets (land, buildings, plant, machinery, and equipment) and intangible assets (industrial rights, know-how, licences).

Minimum employment and investment levels to qualify for support:



Support will be available for investments throughout the country, including areas excluded from regional investment aid (Warsaw) and areas with limited availability of support (Dolny Śląsk and Wielkopolska). The maximum aid intensity:



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

Poland notified the aid scheme to the European Commission in August 2023. The aid scheme will expire on 31 December 2025.

Romania

Scheme to support the development of domestic production of construction products and materials

Until 31 December 2026



Maximum level of aid



The maximum amount of non-repayable regional State aid granted under this scheme is EUR 50 million, but no more than 75% of the value of the investment and without exceeding the maximum aid intensity laid down in the regional map approved by the European Commission.

Scheme to support investment in the production of advanced biofuels

Until 31 December 2025



Maximum level of aid



The maximum amount of State aid granted under this scheme is 45 % of the value of the investment, but not more than €45 million/installation of bioethanol and €91.25 million/installation of FAS/HVO.

Scheme for production and/or assembly and recycling of batteries, cells and photovoltaics

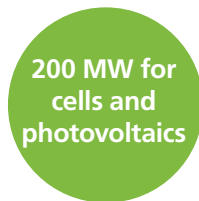
Maximum national budget

Until 30 June 2026



Maximum EUR 86m per year

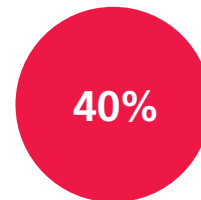
Minimum capacity



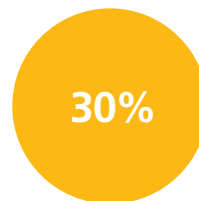
Maximum intensity



All other regions



North-West and Central



West

Scheme to support the development of storage capacities (batteries) with financing from the Modernization (Pending).

Until 31 December 2029



Maximum level of aid



The maximum amount of non-repayable regional State aid granted under this scheme is EUR 10 million, 100 % of the value of the investment, under a competitive tender procedure based on clear, transparent and non-discriminatory criteria.

Scheme to reduce the level of electricity tax for energy-intensive businesses

Until 31 December 2031



Maximum level of aid

Beneficiaries will benefit from a reduction of between 75% and 85%, depending on their risk exposure. The applicable reduction must not result in a lower charge of less than 0.5 €/MWh.

Scheme to support investments in new capacity for the production of electricity from renewable energy sources for self-consumption at aerodromes, including energy storage systems

Until 31 July 2028



Maximum level of aid

The scheme can cover up to 100% of eligible costs, including investment in production and storage capacity, but excludes operating costs, VAT and heat pump costs.



The average annual budget is up to EUR 70 million. The maximum amount of aid granted to a beneficiary may not exceed €30 million.

Scheme for companies located in industrial parks

Maximum national budget for the *de minimis* aid

Until 31 December 2030



The *de minimis* aid is granted through waivers of national / local budget revenues (e.g. tax on buildings or land) up to EUR 200,000 for each beneficiary, over a period of 3 consecutive fiscal years, respectively EUR 100,000 in the case of companies operating in the field of transport.

Maximum national budget for regional grants

Until 31 December 2026



An investment project will be considered ineligible for the granting of regional state aid if the works on the investment begins before the submission of the request for agreement in principle regarding the regional state aid.

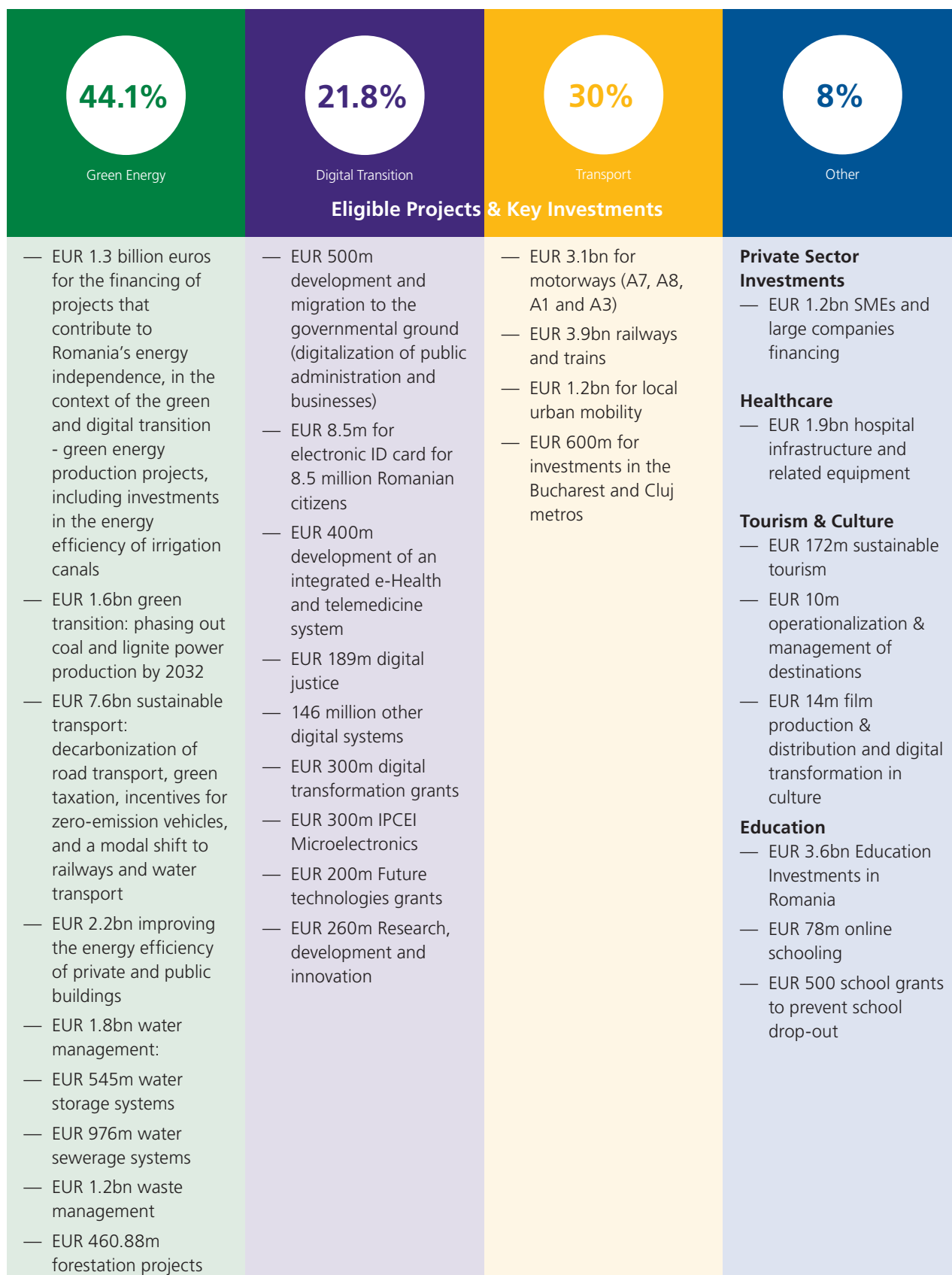
Investment projects of over EUR 50m are not funded through this scheme.

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)

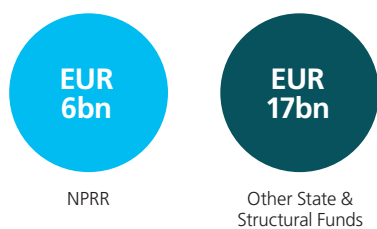
The European Commission (EC) adopted a positive assessment of Romania's recovery and resilience plan, under which the country will receive EUR 13.6 billion in grants and EUR 14.9 billion in loans under the European Union's Recovery and Resilience Facility (RRF).



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



Outlook for 2025



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

Temporary Crisis and Transition Framework

Romania adopted several aid schemes based on the **Temporary Crisis and Transition Framework**, including:

- Scheme to support ports facing increased trade flows due to Russia’s aggression against Ukraine (detailed at page 24 of the Guide);
- Scheme to support enterprises active in the primary production of agricultural crop products following Russia’s aggression against Ukraine (detailed at page 24 of the Guide);
- Scheme to support the production of electricity from renewable sources through Contracts for Difference (the “**CfD Scheme**”);

At the date hereof, the CfD Scheme has been approved by the European Commission (the “**Commission**”). The Romanian authorities launched the procedures for the first Contracts for Difference for eligible technologies in 2024.

Eligible projects include new onshore wind and solar PV technologies for electricity generation. The maximum number of beneficiaries is estimated at 500. The scheme includes specific eligibility requirements, which are published by the Romanian authorities on the following website: <https://energie.gov.ro/contracte-pentru-diferenta-cfd/>.

The duration of the State CfD Scheme for onshore wind and solar PV is scheduled to last from 2024 until end of 2025, during which aid applications will be selected based on two technology specific auctions for award of CfDs, with aid to be paid for successful eligible projects for a period of 15 years after they commence operation.

The total budget for the aid scheme covering the 2024 and 2025 rounds of auctions is estimated to be EUR 3 billion. The aid scheme should end as of 31 December 2025, which is the last date for the award of a CfD based on the CfD Scheme.





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 (with notification requirement)



Eligible costs over EUR 50m (without notification requirement)



* 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%.



Central Slovakia

Eligible costs up to 50m



Eligible costs over EUR 50m (with notification requirement)



Eligible costs over EUR 50m (without notification requirement)

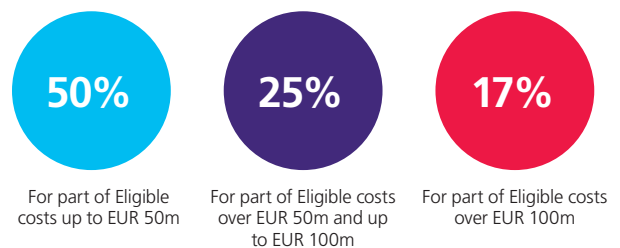


Eastern Slovakia

Eligible costs up to 50m



Eligible costs over EUR 50m (with notification requirement)



Eligible costs over EUR 50m (without notification requirement)



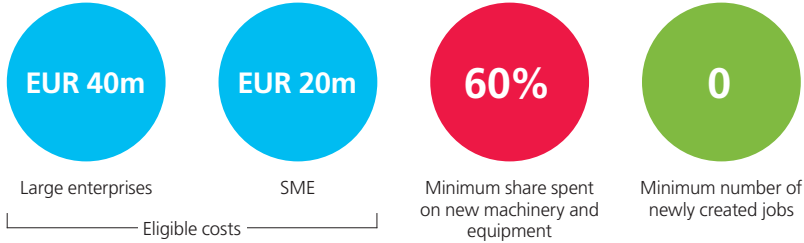
In order to be eligible for financial support, the following criteria apply to investment amounts and job creation.

Minimum investment amounts

Industrial manufacturing

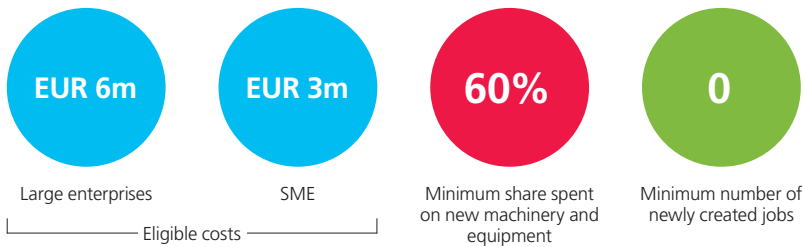
Districts with a lower than average unemployment rate (Zone A)

Cash grant for priority areas:



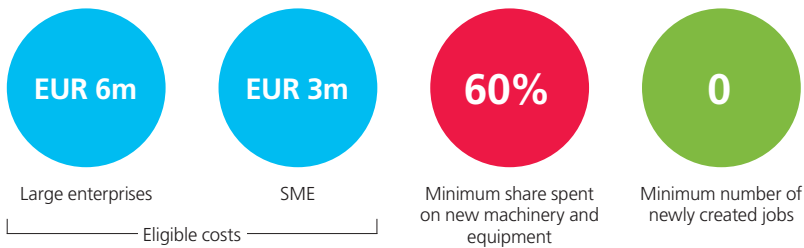
Cash grant for other areas are not available

Tax relief for all areas:



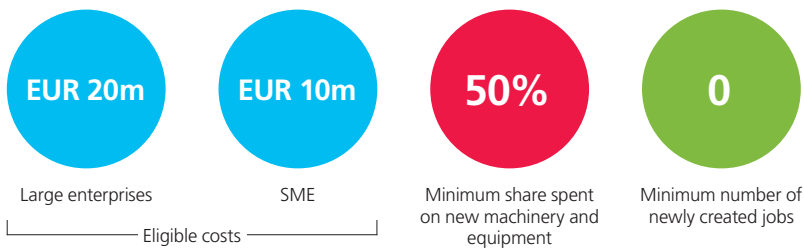
Contribution to newly created jobs for all areas: not available

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

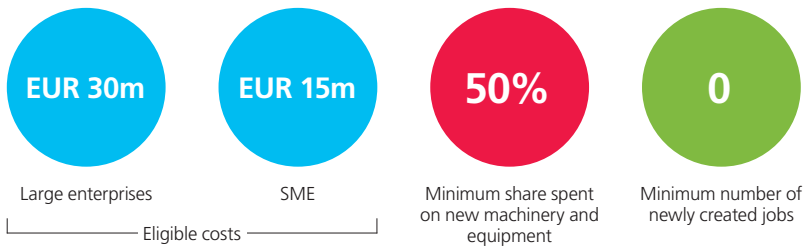


Districts with a higher than average unemployment rate (Zone B)

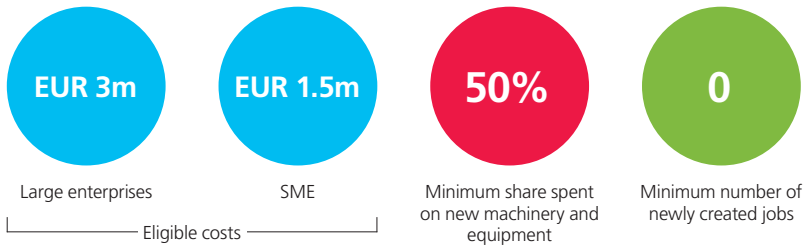
Cash grant for priority areas:



Cash grant for other areas:



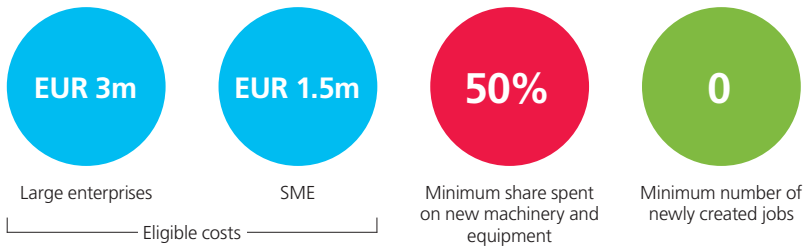
Tax relief of all areas:



Contribution to newly created jobs for all areas:

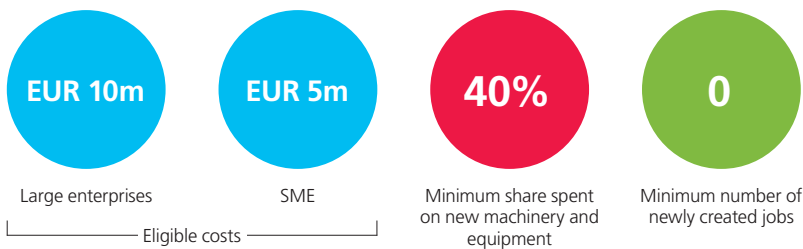


Discounted transfer of real estate or discounted rent of real estate for all areas:

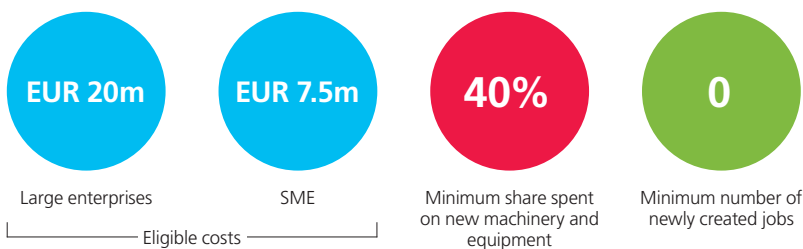


Districts with an unemployment rate of at least 35% higher than average (Zone C)

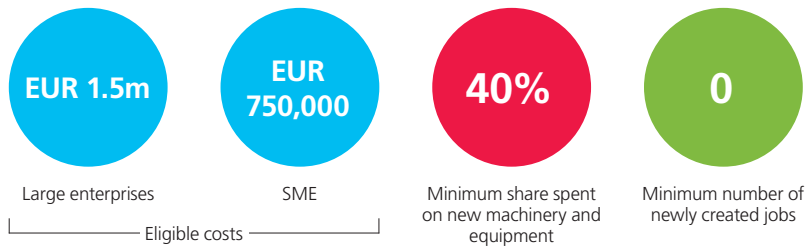
Cash grant for priority areas:



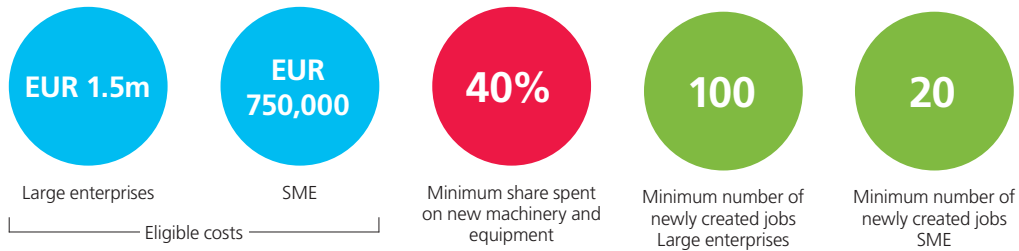
Cash grant for other areas:



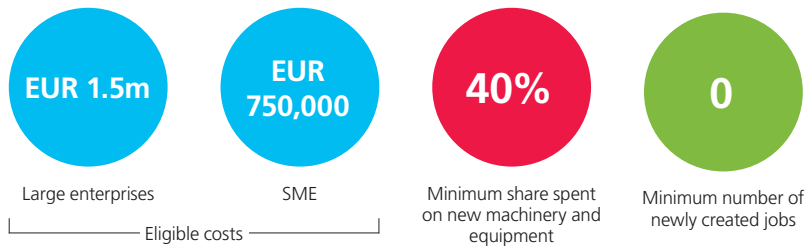
Tax relief for all areas:



Contribution to newly created jobs for all areas:

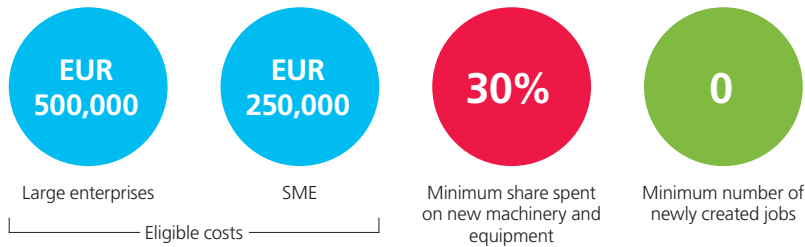


Discounted transfer of real estate or discounted rent of real estate for all areas:

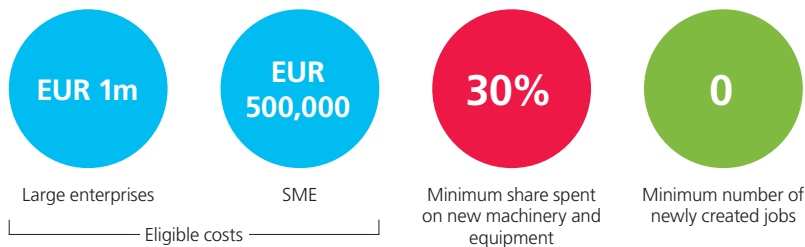


Districts in the "List of the least developed districts" (Zone D)*

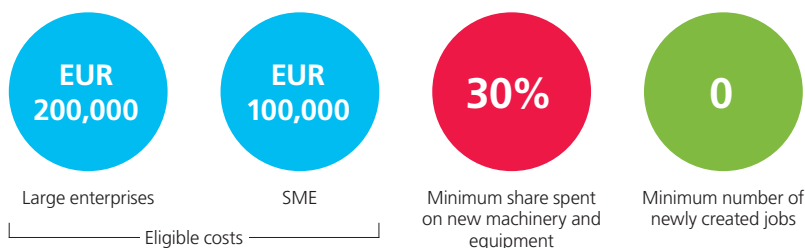
Cash grant for priority areas:



Cash grant for other areas:



Tax relief of all areas:

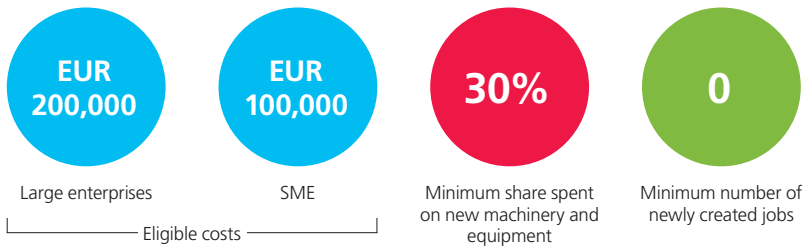


* From 1 April 2024 to 31 December 2026, the districts of Prievidza and Partizánske shall be automatically included into the Zone D.

Contribution to newly created jobs for all areas:



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



Technology centres

Cash grant for priority areas:



Cash grant for other areas:



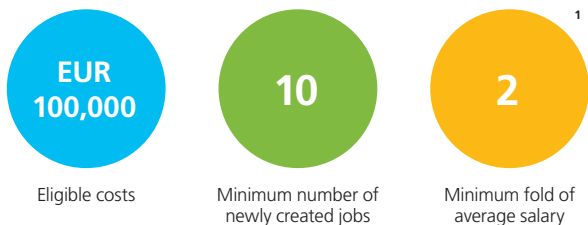
Tax relief for priority areas:



Tax relief for other areas:



Contribution to newly created jobs for priority areas:



Contribution to newly created jobs for other areas:



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:



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



Shared service centres

Cash grant for priority areas:



Cash grant for other areas: not available

Tax relief for priority areas:



Tax relief for other areas:



Contribution to newly created jobs for priority areas:



Contribution to newly created jobs for other areas:



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



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



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.

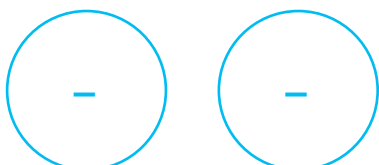
Financial support for newly created jobs

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

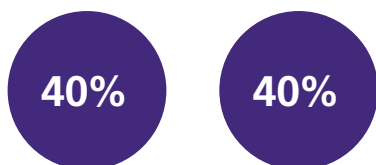
Industrial production



Priority areas

Other areas

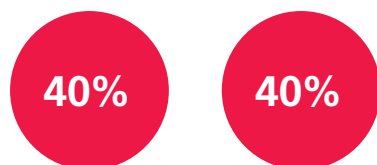
Technology Centres



Priority areas

Other areas

Shared Service Centres



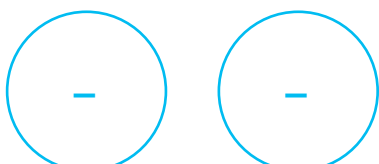
Priority areas

Other areas

Central Slovakia

Zone A

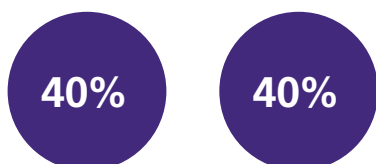
Industrial production



Priority areas

Other areas

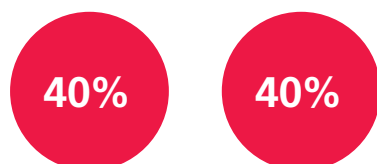
Technology Centres



Priority areas

Other areas

Shared Service Centres

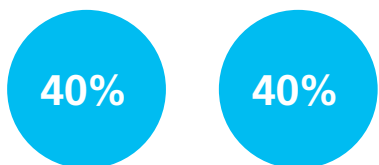


Priority areas

Other areas

Zone B-D

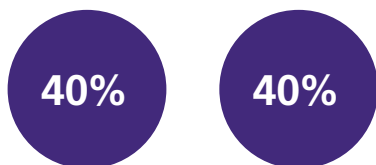
Industrial production



Priority areas

Other areas

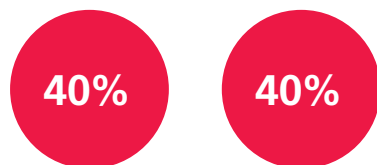
Technology Centres



Priority areas

Other areas

Shared Service Centres



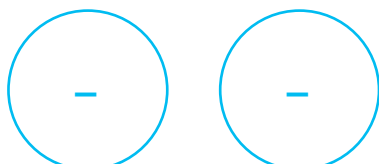
Priority areas

Other areas

Eastern Slovakia

Zone A

Industrial production



Priority areas

Other areas

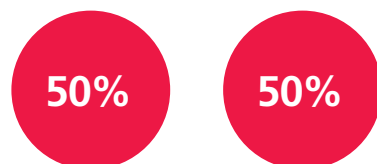
Technology Centres



Priority areas

Other areas

Shared Service Centres

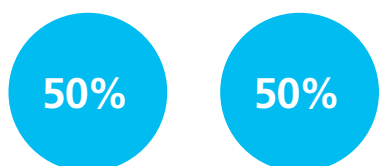


Priority areas

Other areas

Zone B-D

Industrial production



Priority areas

Other areas

Technology Centres



Priority areas

Other areas

Shared Service Centres



Priority areas

Other areas

Temporary Crisis and Transition Framework

Recently, the Ministry of Economy of the Slovak Republic published a **Temporary Crisis and Transition Framework** aid scheme for Slovakia approved by the European Commission. The scheme was adopted by the National Council of the Slovak Republic and implemented into the legal order at the beginning of March 2024.

The aid scheme provides for exceptional investment aid in sectors that are strategic **for the transition to a climate-neutral economy**. Eligible projects include production of batteries, solar panels, wind turbines, heat pumps, electrolyzers and equipment for the capture, use and storage of carbon dioxide.

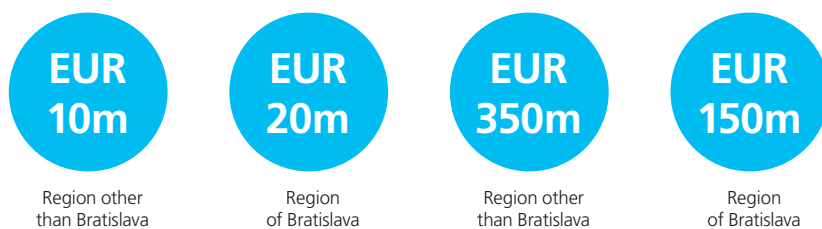
Further to the eligible projects the aid scheme should also subsidize:

1. a production of key components designed and primarily used as direct input for the production of the above; and
2. a production or recovery of related critical raw materials necessary for the production of the equipment and key components of the above.

The list of the eligible key components is provided in the annex of the final regulation of the Government of the Slovak Republic. Eligible costs are tangible fixed assets (land, buildings, plant, machinery and equipment) and intangible fixed assets (industrial rights, know-how, licenses). Aid forms include cash grant, tax relief, transfer or lease of real estate for a lower value than that determined by an expert opinion.

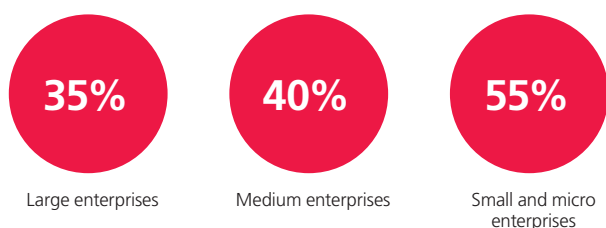
The more detailed breakdown of aid forms and intensities is as follows:

Minimum amount of acquired long-term assets

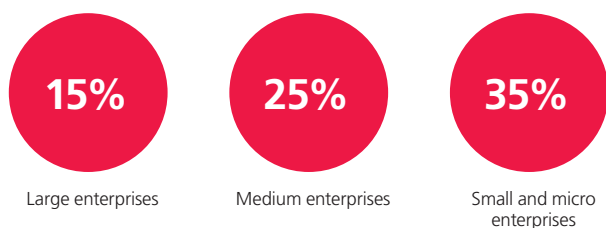


Maximum amount of investment aid

Maximum amount of aid intensity (for regions other than Bratislava)



Maximum amount of aid intensity (for Bratislava region)



Maximum amount of aid intensity with respect to the above increases by 5 % should the form of aid be a tax relief (exclusively).

Allocated amount for the entire scheme should be EUR 1 billion. The aid scheme should terminate as of 31 December 2025.

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 came 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 3m 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 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 imported, the total import value of the products subject to investment for the last year has been over 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



Regional investment incentives regime



Strategic investment incentives regime

TL 50m

Support Provided	General Investment Incentives Regime	Regional Investment Incentives Regime	Priority 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.
Customs Tax Exemptions	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.
Social Security Premium Support (Employer Share)	–	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.
<i>Due to changes in legislation, income tax will no longer be applied to minimum wage. As such, income tax withholding support is halted until further notice.</i>				
Social Security Premium Support (Employee Share)	–	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 all regions.	Provided for all regions.
Allocation of Land	–	Provided for all regions.	Provided for all regions.	Provided for all regions.
VAT Returns	–	–	–	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. Within the scope of the programme, manufacturing facilities, call centres, and data centres will benefit from the incentives granted to investments in Türkiye's 6th region. Accordingly, the support mechanisms available include VAT, customs tax and corporate tax exemptions; social security premium and interest rate support; income tax withholding deduction and land allocation for investment purposes. In addition, the Technology-Oriented Industry Move Program has been introduced to support strategic investments in medium-high and high-tech sectors. The programme provides targeted incentives, including grants, tax reductions, investment loans, and R&D support, for projects focusing on technology-intensive production. Eligible expenditures include machinery and equipment procurement, personnel costs, technology development, and consultancy services, ensuring investments contribute to Türkiye's technological advancement and industrial competitiveness. While there is no specific application timeline for the Technology-Oriented Industry Move Program, applications for the Programme for Centres of Attention shall be submitted until 31/12/2025.



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

Background

The incentives for investment projects with significant investments were initially introduced by the Law of Ukraine No.1116-IX "On State Support for Investment Projects Involving Significant Investments in Ukraine" dated 17 December 2020 ("**Investment Law**").

The Investment Law provides a range of benefits for the investments projects of over EUR 12 million in the processing industry, production of biogas and biomethane, waste management, transport, warehousing, logistics, etc.

Available support under the Investment Law

exemption from payment of certain taxes and fees

exemption from import duty of new equipment and accessories for it

land benefits in relation to state- or municipally-owned land

exemption from compensation for losses of the investor's forestry production

the construction of engineering and transport infrastructure facilities or compensation for the cost of such construction at the expense of state or local budgets and from other sources not prohibited by law

compensation for the costs of connection to engineering and transport networks

The amount of state support for a particular investment project has to be established in a special investment agreement and is capped at 30% of the expected investment amount. Investors are also allowed to obtain state support for the projects where they have already made up to 30% of their investments within 18 months prior to applying for the state support.

Key eligibility criteria

According to the Investment Law, key criteria for an investment project to be eligible for state support shall:

- be proposed for implementation in the areas of processing industry (except for manufacturing of tobacco and alcohol products), biogas and biomethane production, 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, scientific and technical activities, healthcare, arts, culture, sports and tourism, in the resort and recreation sector and in the field of electronic communications;
- provide for the construction, modernisation, technical and/or technological re-equipment of investment objects in the abovementioned areas;
- create at least: 10 new jobs with an average salary at least 50% higher than the average salary in the region for the same type of activity; 30 new jobs with an average salary at least 30% higher than the average salary in the region for the same type of activity; 50 new jobs with an average salary at least 15% higher than the average salary in the region for the same type of activity;

- exceed EUR 12 million by the amount of investments in investment objects; 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.

Available support for industrial parks

- 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

The Law No 3220-IX “On Amendments to certain laws of Ukraine concerning the restoration and green transformation of the energy system of Ukraine” (“**Law on green transformation**”) was adopted on 30 June 2023. Law on green transformation introduced the mechanism of market premium and changes to regulation of auction.



Mechanism of market premium

Mechanism of market premium (also known as feed-in premium) is a system to stimulate electricity production from renewable energy sources. The mechanism of market premium applies to:

- entities that have been granted a feed-in tariff if such producer is excluded from the balancing group of the guaranteed buyer at its request;
- the entities that won an auction.

Under the mechanism of market premium, the guaranteed buyer, pays the renewable energy sources producer the difference between amount of established (a) “green tariff”; or (b) auction price, and the average value of market prices for electricity.



Auction

Auction is a legal instrument to determine entities that will receive support for electricity production from renewable energy sources. Support for producers of electricity from renewable energy sources that have acquired the right to support based on the results of the auction is provided by guaranteeing electricity purchase through the market premium mechanism.

During October-November 2024, Ukraine held three auctions for the construction of new capacity from renewable energy sources for 110 MW in total.

Recently, the Government of Ukraine has approved the schedule of auctions for the allocation of renewable energy sources quotas for 2025-2029. According to the Government’s Order No.1195-r dated 29 November 2024, the following renewable energy sources auctions will be held in 2025 under the terms specified in the Table. General provisions of the Auctions.

Table. General provisions of the Auctions

No.	Auction date	RES facility location	Quota (330 MW in total)	Max. price, euro cents/kW	RES type
I auction	13 March 2025	Territory on the Left bank of Dnipro River	33 MW	8	Solar power plants
II auction	04 April 2025	All territory	100 MW	8	Wind power plants
III auction	May 2025	All territory	47 MW	12	Other Renewable Energy Sources (micro, mini and small hydro power plants)
IV auction	July 2025	All territory	150 MW	8	Wind power plants

The main advantage for the investors to participate in the auction is that the winner of the auction will be allowed to freely trade on the market, with the Guaranteed Buyer, covering the difference between the auction price and the market price. The term of the support is 12 years after confirmation of the commissioning of the facility for which the winner of the auction has acquired the right to support.

Apart from the above support quotas for 2025, the Government has approved forecast indicators for renewable energy sources support quotas until 2029. Specifically, in 2026 the support quota will be 340 MW, and by 2029 it will increase to 400 MW.

We expect that the implementation of the feed-in premium mechanism will attract investments in the renewable energy market and stimulate the construction of renewable energy facilities in Ukraine.

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

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.

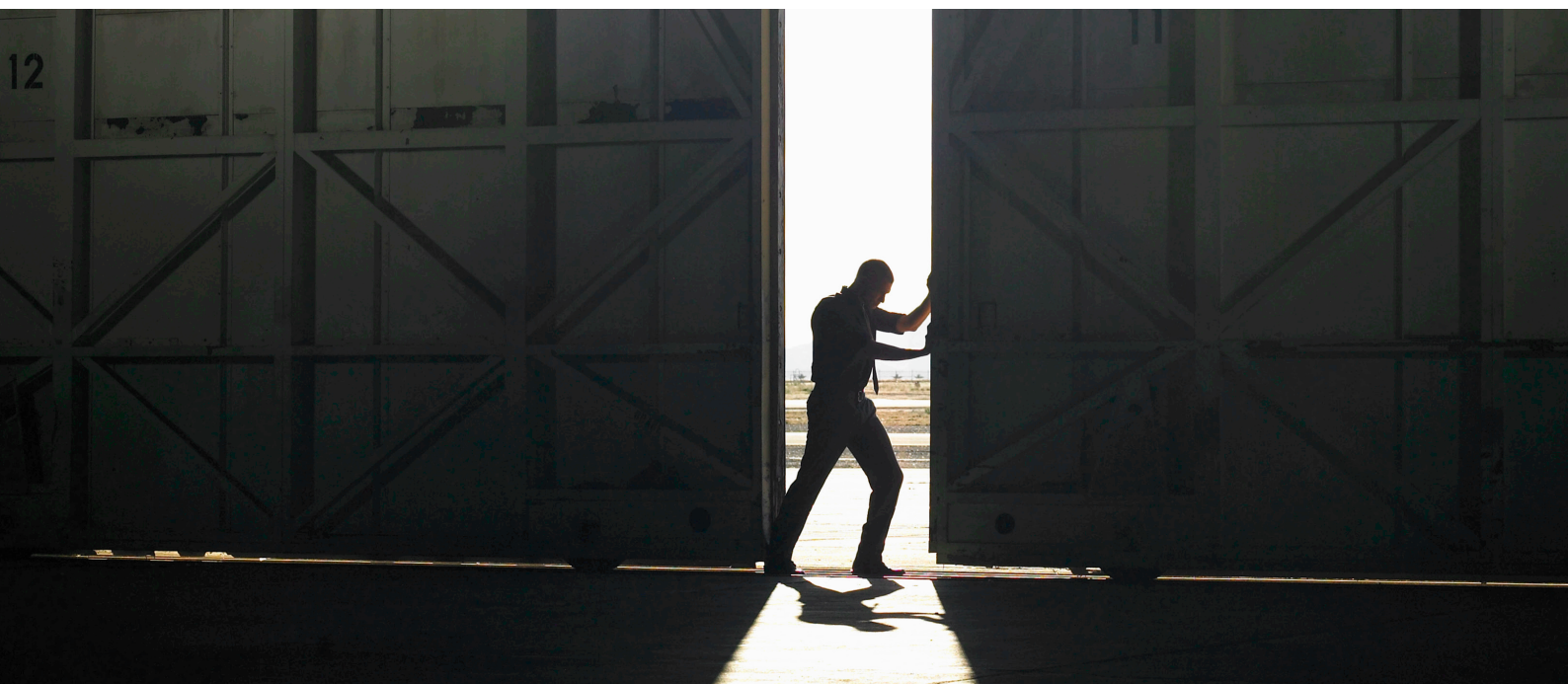
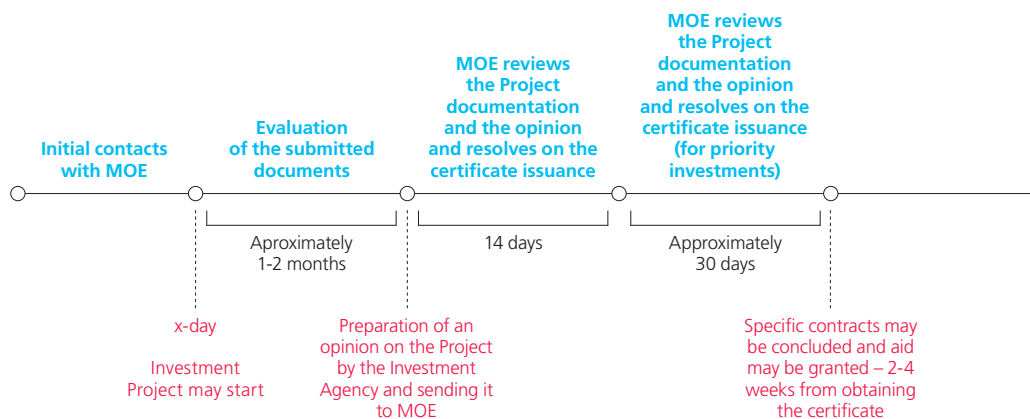
In large projects there is inevitably a risk of other delays, which may occur, for instance, in cases where zoning is required (see below) or where the state is involved in the acquisition of land or the preparation of a site. In order to minimize such a risk it is always recommended to include deadlines 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 (Priority Project, 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.

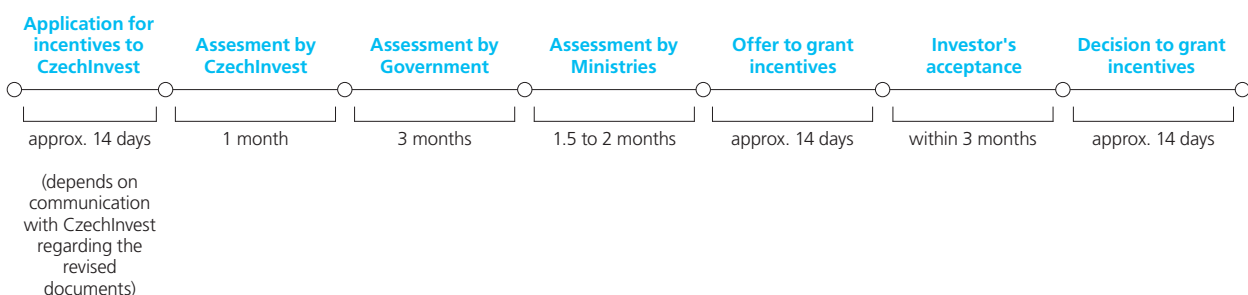




Czech Republic

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 subsidies with the Employment Agency. This agreement sets out the terms for granting of these subsidies.



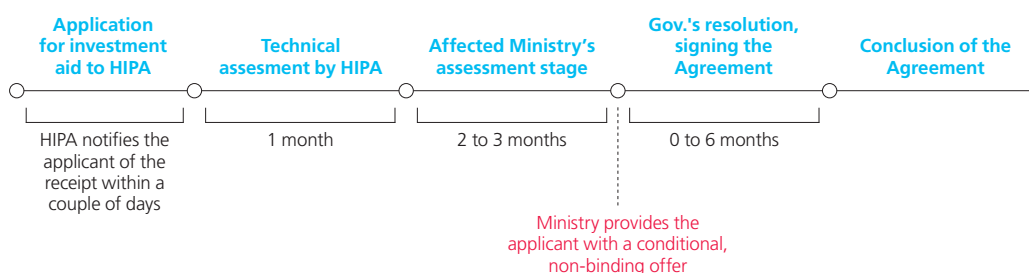


Hungary

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.

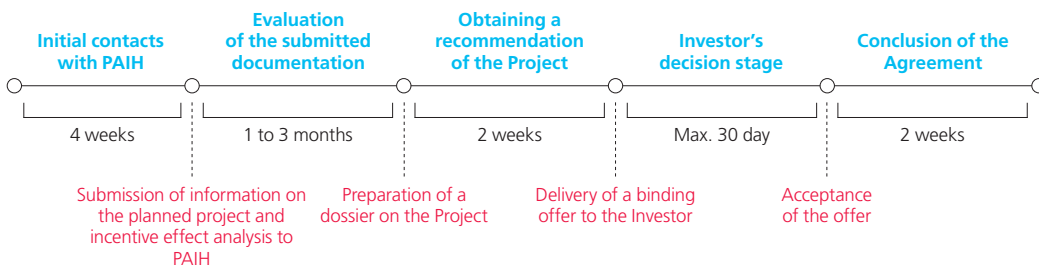


Poland

In Poland, two procedures are available for an investor to obtain support for new investments:

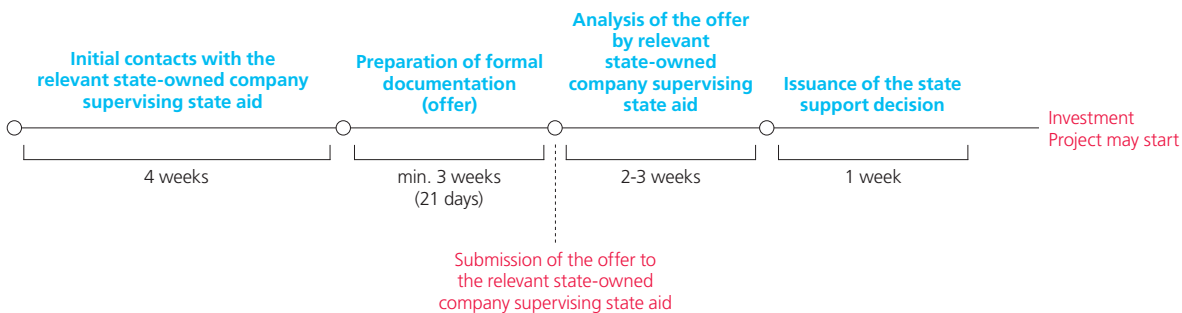
(i) negotiation and conclusion of an investment agreement; and (ii) procedure to obtain a state support decision. The investment agreement process officially starts after submission of the grant application to the Polish Investment and Trade Agency (PAIH) and usually takes approximately three months. 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 45,000 for small businesses conducting R&D activities to approx. EUR 23m 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:

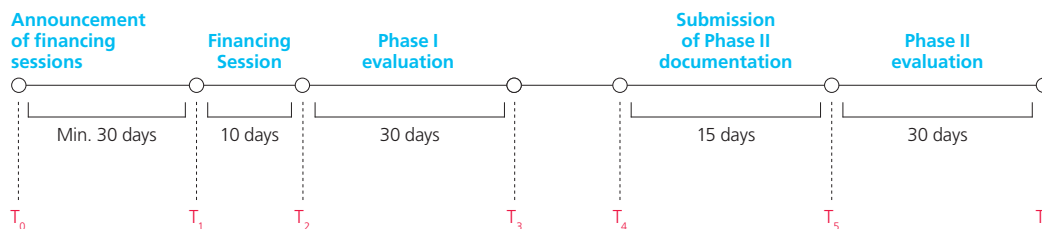
(i) Phase I – application for a financing agreement which includes:

- 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. 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.

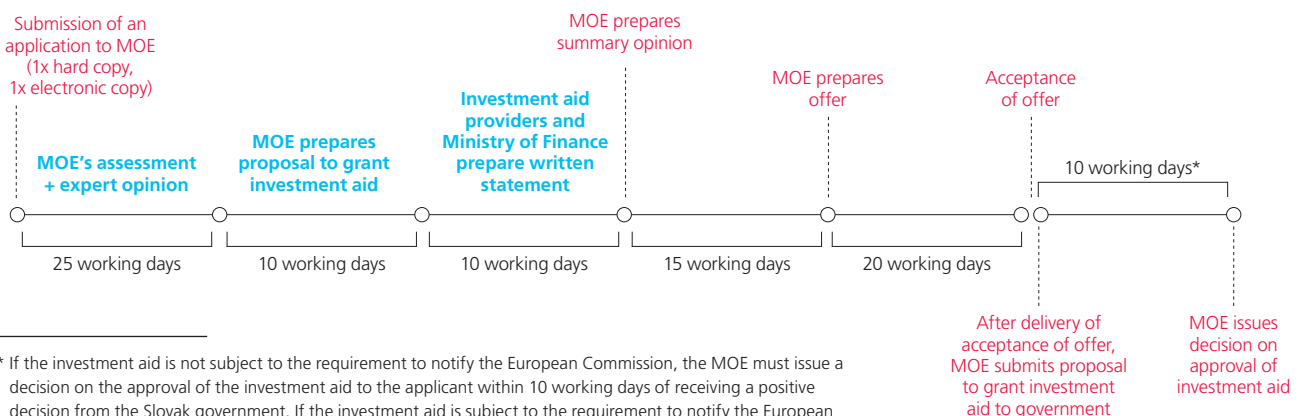
Slovakia

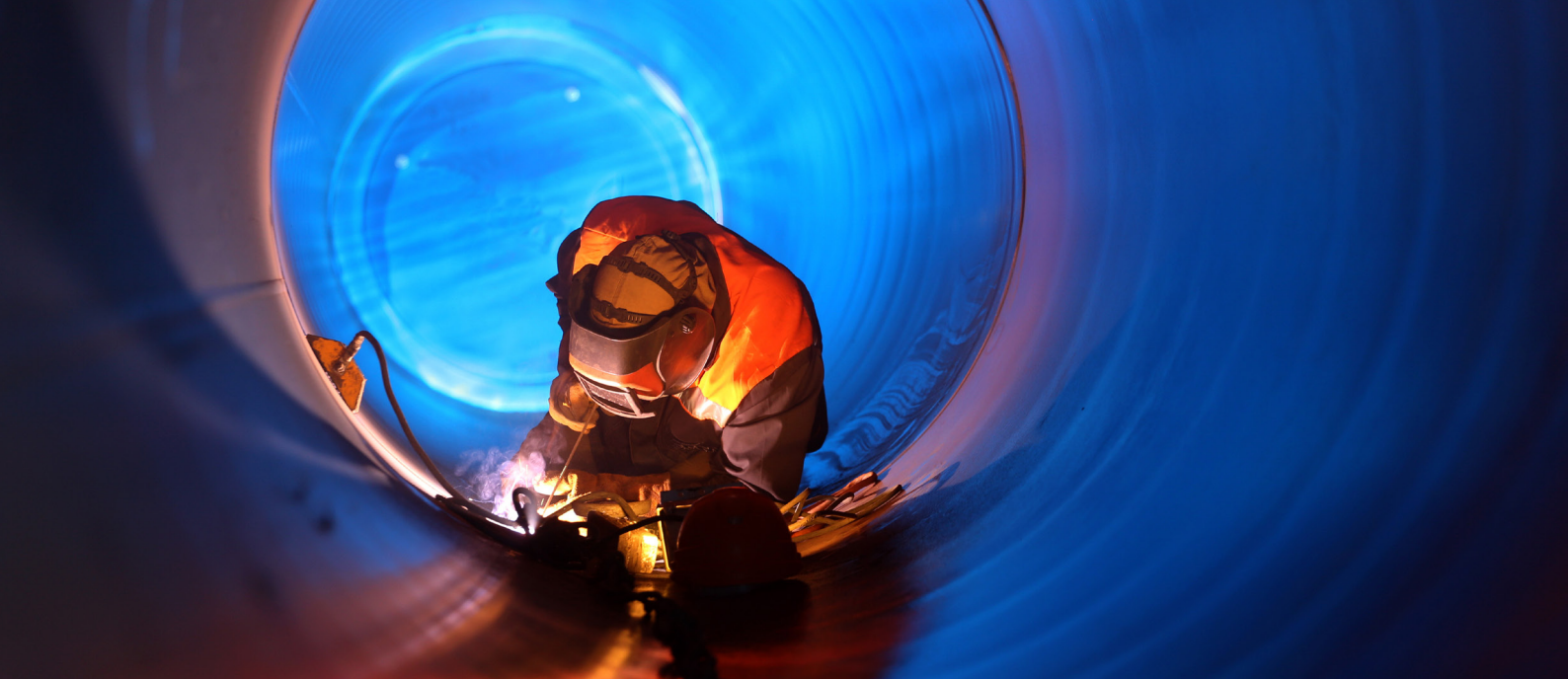
The investment process starts when an investment application is submitted to the Ministry of Economy (MOE). The procedure normally takes about three months. However before submitting the investment application, we recommend having a detailed discussion with the MOE as well as the Slovak Investment and 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.





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 (E-TUYS) 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.



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	884 km of motorways, with 116 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	1,394.76 km of highways	9,514 km of railway lines operated by state-owned and private companies	6 public international airports and 13 non-public international airports	There are no borders with the sea, however there are many rivers especially the Elbe flowing into the Nordic Sea.
Hungary	1868 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	5205 km of motorways (of which 1858.2 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	17,677 km of national roads, of which 6.200 km are European roads; and 1,275 km are highways	17,429 km of public railway lines;	17 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	864 km of highways (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	68,654 km of highways (including motorways, state highways, and provincial roads)	13,919 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)	59 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.
Ukraine¹	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 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 66,574 and 23% for the part of the annual income exceeding approx. EUR 66,574	19%	21%, 12%, 0%	According to type, location and purpose of use of the real estate etc. using these rates per m ² : Residential and agricultural: EUR 0.14 , Industrial: EUR 0.73 , Buildings for family recreation and other taxable buildings: EUR: 0.44 , Garages: EUR 0.59 .
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 2950,1 per m ² or 3.6% of the adjusted market value. The maximum land tax rate cannot exceed HUF 536,4 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 230k), taxpayers are additionally obliged to pay the so-called solidarity duty of 4% exceeding PLN 1 million	19% Income tax (9% for companies with revenues up to EUR 2m or companies in their first year of business activity); exemptions for business activity in Special Economic Zones	0%, 5%, 8%, 23%	Max. annual rate for land uses for business purposes cannot exceed PLN 1,38 per m ² for buildings. Real estate tax exemptions may be granted to investors on the basis of a resolution passed by the relevant local authorities. 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 34 per 1 m ² of usable area. 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	10% 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%	<ul style="list-style-type: none"> For residential buildings: 0.08% to 0.2% of taxable value of building; For non-residential buildings: 0.2% – 1.3% (as per decision of local City Council) of taxable value of building; 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 48,441.43) 25% (part of annual income exceeding EUR 48,441.43)	10% for a revenue (income) not exceeding EUR 100,000 21% for a revenue (income) exceeding EUR 100,000 and not exceeding EUR 5,000,000 24% for a revenue (income) exceeding EUR 5,000,000	23% 19% a 5 % (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. 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%	25% Exemptions provided for certain activities; such as those realised in Free Zones	1%, 10%, 20%	0.1% - 0.2% for residential properties 0.2% - 0.4% for commercial properties 0.1% - 0.2% for farms 0.3% - 0.6% for lands
Ukraine	18% (plus extra 5% military levy)	Special rates apply to insurance, banking sector and qualified IT companies	0% / 20% ; a reduced rate of 7% applies to procurement of pharmaceuticals and certain devices for medical purposes, supply of listed services in entertainment industry, hotel accommodation services; 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: <ul style="list-style-type: none"> no more than 1.5% of minimum statutory salary (currently approx. EUR 3) per square metre for residential and non-residential property; no less than 0.3% and no more than 1% of normative land value for agriculture land; no more than 1% of normative land value for land of general usage; no more than 3% of normative land value for other types of land (including industrial land and land for construction); no more than 12% of normative land value for land under permanent lease by business entities.

Labour issues

EUROSTAT data shows that in 2023, average labour costs in the European Union amounted to EUR 30 per hour, and in the third quarter of 2023, the hourly labour costs rose by 5.3% in the euro area and by 5.7% 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 551	EUR 826	EUR 713	EUR 810
Approximate average gross monthly wage (EUR)	EUR 1200	EUR 1,804	EUR 1,470	EUR 1,475
Social security costs	14,47% for employers	33.8% for employers	13% for employers	approx. 20.5% for employers
Recorded unemployment	5.5% (January 2025)	2.7% (January 2025)	3.8% (January 2025)	5.2% (January 2025)
Proportion of trade union membership (approximate)	20%	10%	12%	15%

Costs	Romania	Slovakia	Türkiye	Ukraine
Approximate minimum gross monthly wage (EUR)	EUR 810	EUR 816	EUR 684	EUR 183
Approximate average gross monthly wage (EUR)	EUR 1,710	EUR 1,484	EUR 739	EUR 495 (4Q 2024)
Social security costs	26.3% for normal working conditions (increases to 36.3% for hazardous/special conditions of work)	25.2 % (36.2 % including health contributions)	20.5% for employers	22% for employers (Unified Social Tax)
Recorded unemployment	3.28 (January 2025)	3.81 (December 2024)	8.5% (January 2025)	14.2% (January 2025)
Proportion of trade union membership (approximate)	33%	10%	14.97%	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.

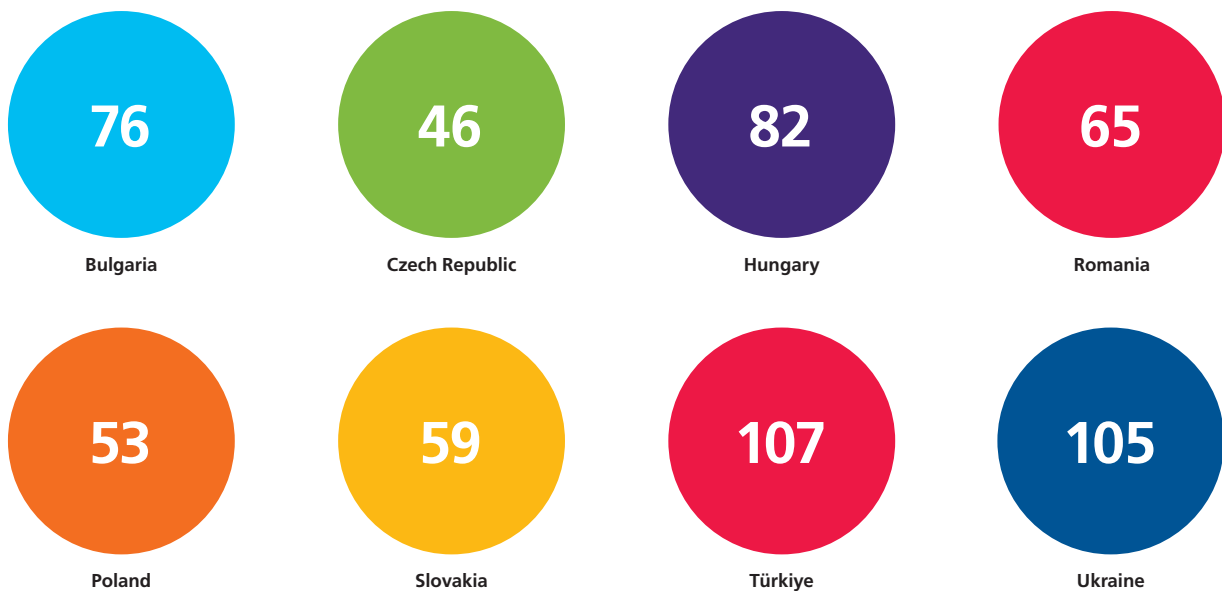
The crucial aspects to be discussed with utilities suppliers are:

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 2024 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 180 is the most corrupt (Somalia)).



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

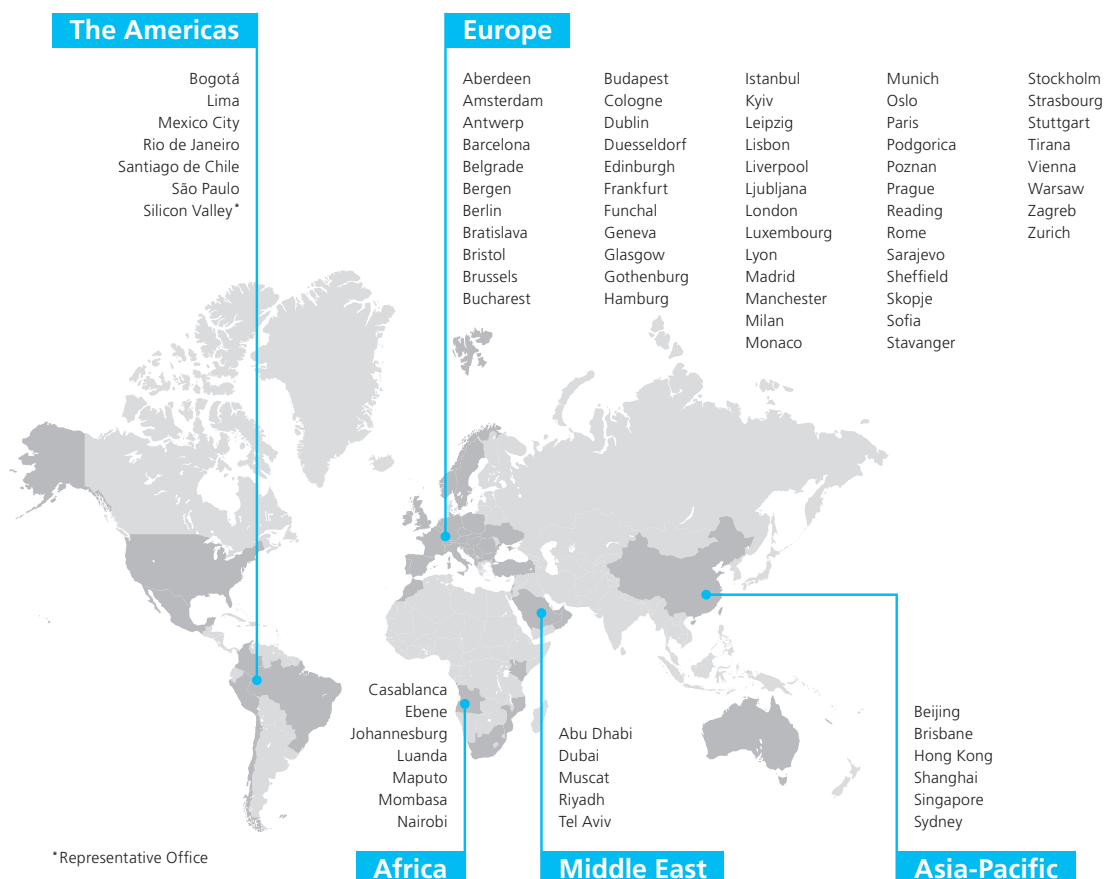
Effective investment: Coordination of the project

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 16 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.gov.cz

T +420 727 850 330

E fdi@czechinvest.gov.cz



Hungarian Investment Promotion Agency

The Hungarian Investment Promotion Agency (HIPA) is a national investment promotion organisation governed by the Ministry of Foreign Affairs and Trade. HIPA's most important task is to provide professional assistance to foreign and Hungarian companies wishing to invest in Hungary.

Between 1 January 2014 and 31 December 2024, HIPA guided 2,200 projects in value of EUR 59.2 billion to create almost 170,000 new jobs. In 2024, investment capital inflow exceeded the EUR 10 billion mark for the second year in a row; investors placing their trust in Hungary decided to launch 77 projects with HIPA's support, injecting EUR 10.3 billion of fresh capital in the Hungarian economy and creating 18,500 new jobs.

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



Polish Investment
& Trade Agency
PFR Group

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

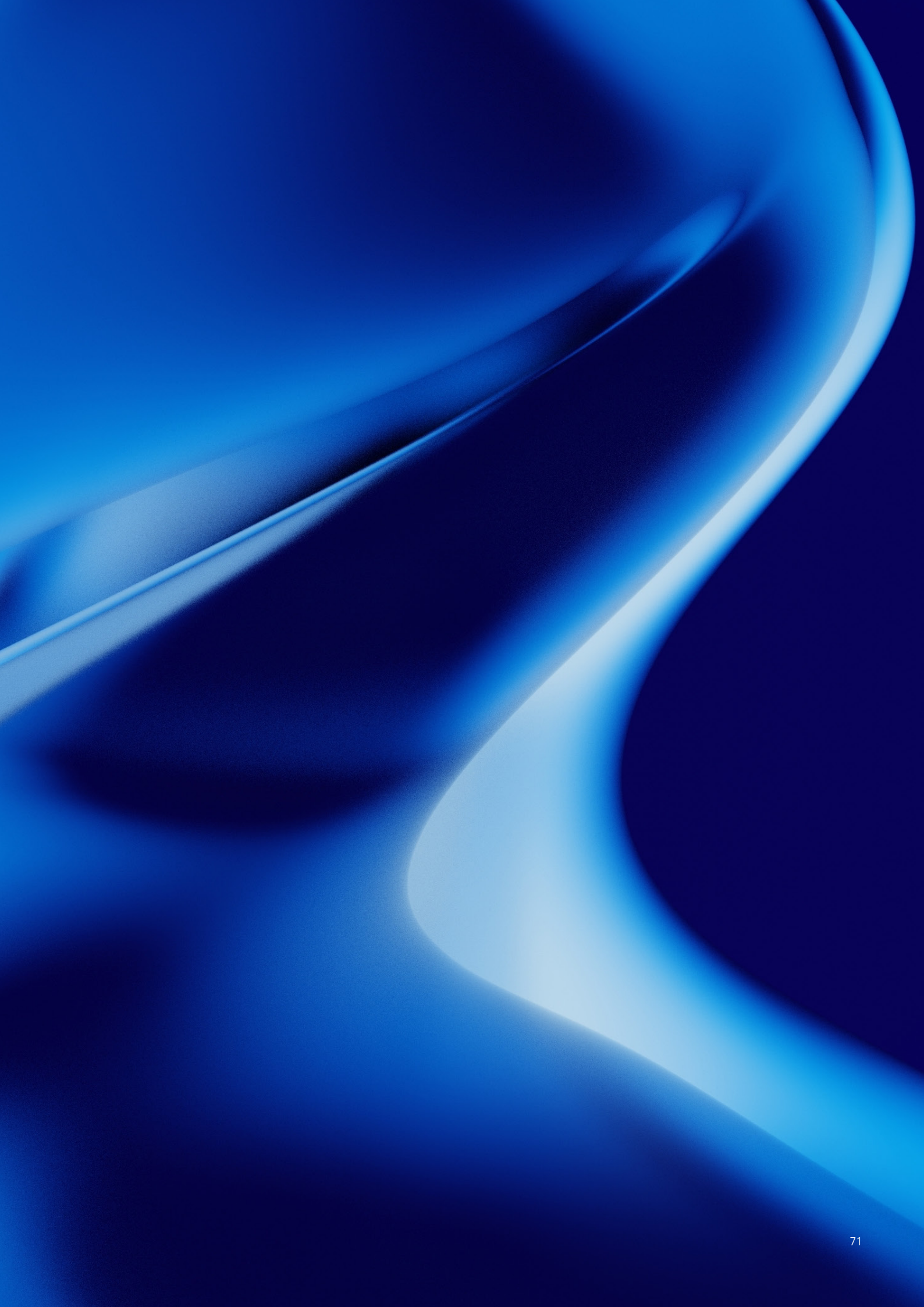
**Ukraine
Invest**

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.





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CMS locations:

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Further information can be found at **cms.law**