

REDRAWING THE MAP

European Subsidies. For those with an eye to investing in Germany, the potential rewards are as comprehensive as ever, as a new map of subsidy programs within the European Union becomes available.

During the first half of 2014, the European Commission approved the maps of the national assisted areas of the EU member states for the period from July 1, 2014 to December 31, 2020. These new maps stipulate which regions of individual EU member countries are eligible to receive subsidies in the future, as well as the maximum aid levels that apply. Germany's federal government will use these new maps as the basis for distributing investment grants in the future. Its investment grant distribution program, the "Joint Program for Improving Regional Economic Structures" (Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur," GRW) has been a successful tool for implementing its regional economic policies up to this point, and the government will continue to rely on it as these new maps go into effect.

Under the program, subsidies are provided to selected regions; large geographical sections of Germany – where 26 percent of the country's population resides – currently take part. However, due mainly to its positive economic development and the average per capita EU GDP figures that were adjusted to take EU expansion into account, Germany no longer has any regions needing maximum assistance ("A" assisted areas) as of July 1, 2014. The readjustment of the assisted areas has resulted in new regional categories (see map "GRW Assisted Areas 2014 – 2020") across which different maximum aid levels apply (see table).

Eastern Germany remains an assisted area and, with the exception of Berlin and the Leipzig region, will receive assistance at rates 5 percent higher than the assisted areas in western Germany until December 31, 2017. Beginning on January 1, 2018, the rate will be adjusted to align with the assisted areas in western Germany.

However, ten German counties and independent cities along the Polish border will receive higher subsidy rates

even after the 2018 rate alignment goes into effect. This will allow these counties and cities to continue to offer a competitive subsidy environment in relation to their neighbor to the east; in some cases, the subsidies will cover up to 40 percent of a project's investment volume.

Who precisely receives subsidies and what form those subsidies take is governed by special guidelines. Investors can acquaint themselves with the details of these guidelines in advance and then take the necessary requirements into account while planning their investment project.

In some cases, a project may require supplementary financing. The German federal and state governments also offer attractive funding tools for these projects.

Aside from the grant opportunities mentioned here, investors should pay attention to promotional loans. They offer reduced and/or fixed interest rates, long terms, an initial grace period, and are available to all investors launching a project in Germany. The range of options is broad. Investments in the founding and expansion of mid-sized compa-

nies are financed, as are R&D projects, investments in environmental protection and renewable energies, and projects aimed at improving energy efficiency. The latter categories receive particularly attractive conditions and small and medium-sized companies are often granted preferential terms.

If a company cannot provide sufficient collateral, the German federal and state governments offer a number of guarantee programs. In any case, it is recommendable to apply for funding at an early stage. The various financial instruments can also be combined with one another until investors have reached the maximum limit of subsidies available to them. Having the right financial partner on your side can be a decisive factor in this process. The financing experts at GTAI would be glad to advise you.

→ MORE INFORMATION

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Maximum Investment Incentives Levels 2014–2020

| | Small enterprises ¹ | Medium-sized enterprises ² | Large enterprises |
|--|--------------------------------|---------------------------------------|-------------------------------|
|  Predefined C-Region | 35%*) | 25%*) | 15%*) |
|  Border area to Poland | 40% | 30% | 20% |
|  Non-predefined C-Region | 30% | 20% | 10% |
|  D-Region | 20% | 10% | max. EUR 200,000 ³ |

Notes: ¹ Includes a bonus of 20%, ² Includes a bonus of 10%, ³ "De-minimis-rule", *) From 1 July 2014 to 31 December 2017

Regional Aid Map—Areas for the "Joint Program for Improving Regional Economic Structures 2014–2020"

