fi group

Targeted review of the General Block Exemption Regulation (State aid): revised rules for State aid promoting the green and digital transition

FI Group helps companies finance innovation by securing funding for their Research and Development (R&D) activities. We achieve this through the comprehensive management of R&D grants and tax incentives. Thanks to our extensive expertise in this area, we advise our clients on how optimise their R&D activities, and drive company growth. FI Group welcomes the opportunity to provide input on European Commission's targeted review of the General Block Exemption Regulation (State aid): revised rules for State aid promoting the green and digital transition.

The revision focuses on four categories of aid:

- *Aid for Research, Development and Innovation;*
- *Regional aid;*
- *Aid for Environmental Protection and Energy;*
- *Aid for Risk Finance Investments.*

FI Group supports the Commission's initiative and, in this context, aims to provide feedback with regards to:

- Regional operating scheme for large companies;
- The revised provision for studies on Environment and Energy as well as the inclusion of consultancy services;
- Cumulation regarding Tax Instruments.

A. CONTEXT

The European Commission has launched a public consultation inviting all interested parties to comment on certain proposed amendments to the General Block Exemption Regulation (GBER).

The GBER declares specific categories of State aid compatible with the Treaty, provided that they fulfil certain conditions, and exempts these categories from the requirement of prior notification to and approval by the Commission.

The rules laid down in the GBER are complementary to those set out in State aid Guidelines, which set the conditions under which the Commission assesses whether State aid measures that are not block-exempted and, therefore, need to be notified to it are compatible with the Single Market. Together, these two sets of rules form a comprehensive rulebook for certain areas of State aid law.

The Commission is therefore proposing a number of targeted changes to the GBER to reflect the changes in various sets of State aid Guidelines which are currently being reviewed (namely, the Regional Aid Guidelines, the Climate, Energy and Environmental State aid Guidelines, the Risk Finance Guidelines and the Research, Development and Innovation Framework).

The purpose of the proposed revision is to reflect the changes to various sets of State aid Guidelines, which are currently being reviewed and to further facilitate public support for the EU's green and digital transition. The new rules will help set the right foundations for a sustainable economy in a time of recovery from the effects of the coronavirus pandemic.

FI group is honoured to contribute to this consultation.

Please find in this document our recommendations.

B. PROPOSALS

1. Regional Aid Measures

a. Regional operating scheme for large companies existing activities

FI Group proposes that regional aid should not only support the new establishment of large companies in assisted areas that are usually characterised by low population, high unemployment and therefore a weak economy. In fact, regional aid should also support large enterprises on investment and development of already existing businesses, so that they could directly and indirectly support the economic growth of such assisted areas by creating employment opportunities and fostering economic activities.

According to the proposed Paragraph 3 of Article 14 of the revised GBER, *"Aid to large enterprises shall only be granted for an initial investment that creates a new economic activity in the area concerned."* FI Group suggests reviewing this paragraph as follows: *"Aid to large enterprises shall be granted for an initial investment that creates a new economic activity and/or* ***investments on existing activities*** *in the area concerned".*

Indeed, we consider that large enterprises investing in **existing activities** in assisted areas can support the creation of a vivid business ecosystem, and through a leverage effect contribute to the growth of local businesses and SMEs in the same areas, creation of new employment and business opportunities and foster the growth of the population.

2. Aid for Environmental Protection and Energy

a. Aid for studies and consultancy services on environmental protection and energy matters

We welcome the revised provision of Article 49 of the proposed GBER regarding *"Aid for studies and consultancy services on environmental protection and energy matters"* and support the fact that this type of aid shall be compatible with the internal market within the meaning of Paragraph 3 of the Article 107 of the Treaty and shall be exempted from the notification requirement (provided all the necessary conditions are fulfilled).

We also agree on the fact that where the entire study or consultancy service, or only one part, concerns investments eligible for this type of aid, the eligible costs shall be the costs of the study or consultancy service or the costs of the part of the study or consultancy service relating to those investments.

Nevertheless, we would like to suggest that within the scope of consultancy service are fully included not only technical consultancy service and energy audits, directly linked to investments eligible for this type of aid but also innovation, management and financial consultancy services. Indeed, we do believe that effective strategic management and financial consultancy will significantly contribute to the implementation of efficient investments and successful state aid schemes.

b. Intensity and Cumulation regarding Tax Instruments

We welcome the planned tax reduction instruments in Paragraph 5 of Article 44 and Paragraph 3 of Article 44a of the proposed GBER. Nevertheless, the proposed provision for tax reductions in favour of energy-intensive businesses does not mention any specific intensity in Paragraph 5 of Article 44 of the proposed GBER. In comparison to this provision, the proposed Paragraph 3 of Article 44a GBER states that the gross grant equivalent of the aid shall not exceed 80 % of the nominal rate of the tax or levy, thus implying an intensity of up to 80%. FI Group therefore suggests clarifying the intensity for tax reductions in favour of energy-intensive businesses.

Furthermore, it is not clear if energy-intensive businesses could combine tax reductions and their previous/planned applications to suitable grant programmes for the same project. Currently, there is no clear combination or cumulation possibility for the tax reductions and grant programmes. This is the reason behind companies' reluctance to make use of the tax reduction instruments.

The current Article 8 GBER unfortunately does not clarify this situation. It does not specifically allow any cumulation between State aid without identifiable eligible costs (e.g., tax reduction as per planned Paragraph 5 of Article 44 of the proposed GBER) and State aid with identifiable eligible costs (e.g., most project-related grant programmes).

Based on these considerations, we suggest introducing an intensity provision for proposed tax instruments as well as a revision of the cumulation rule.

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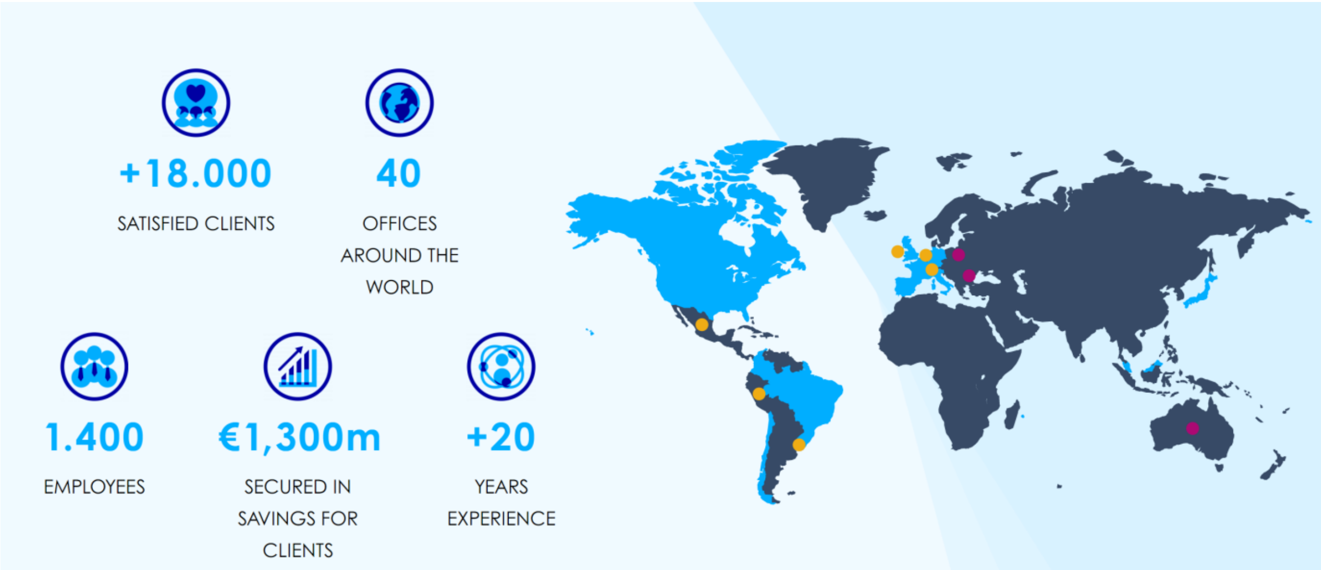

FI Group accompanies a whole range from startups to large companies in their development, providing technical advice and fiscal engineering services. Our optimised financial solutions are based on our specialist understanding of the R&D incentive programmes available in each country, as well as the complex legislation that surrounds them.

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