Detailed rules
concerning eligible and non eligible costs

I. Costs considered non eligible, regardless of whether they can be defined as acquisition costs pursuant to *Act C of 2000 on Accounting* or not:

1. the costs of any assets or software produced and distributed by the applicant itself, services provided by the applicant itself, the implementation costs of a system distributed by the applicant itself [Section 5(50) of Act C of 2000 on Accounting], except for cases, when only the applicant is capable of producing such an asset, and the value used for the settlement of the asset corresponds to a market price that would be applied between independent third parties;

2. the costs incurred as the result of the relocation of the applicant's existing production capacities within the premises or to other premises;

3. the costs of preparatory activities, especially including the costs of preparing the application, application management, compilation of payment requests, preparing feasibility studies, notary fees;

4. consultancy fees relating to the identification of possible resources or application writing, and fees relating to any other kind of consultancy concerning the implementation of the application during the life cycle thereof;

5. the costs related to the conversion of existing machines, provided, that the performance and parameters of the machine remain unchanged – this excludes the introduction of new technology.

6. asset disposal costs;

7. the acquisition cost of a tangible asset which has been acquired by the applicant from a company subject to bankruptcy or liquidation proceedings, or from a private individual subject to enforcement proceedings;

8. assets and equipment that have already been put into use prior to the submission of the application for subsidy at any of the applicant's sites, either in the form of a leasing scheme or any similar arrangements, or for testing/pilot run purposes, and tangible assets with an acquisition value of HUF 200 000 or less;

9. the acquisition costs of inventories;

10. the acquisition costs of consumer goods;

11. the acquisition costs of vehicles, especially including motor vehicles suitable for use on public roads, watercraft, aircraft, railway vehicles, as well as trailers and semi-trailers, ***with the exceptions stipulated in point X;***

12. the value of assets contributed in kind;

13. costs incurred in relation to a business contract or service contract concluded with agents or advisers that defines payment in proportion to the total costs of the activity, except for cases, when the contract allows for partial performance and the partial costs actually incurred and paid are confirmed by the final applicant with reference to the content and actual value of the work or service, and by a detailed certificate of performance;

14. the costs of reconditioning (maintenance) aiming to restore the original state of worn-out tangible assets and the costs of operation under normal conditions;

15. assets replacing tangible assets or eligible intangible assets already used by the applicant, without such replacement resulting in the capacity extension of the existing establishment, diversification of the output of the establishment into products or services not previously produced in the establishment, or a fundamental change in the overall production/service process;

16. the costs of leaseback assets;

17. borrowing costs, costs of bank guarantees, mortgages; other costs relating to the provision of collaterals;

18. franchise fees;

19. tax advisory fees, accounting fees; legal, business and market research consultancy fees;

20. taxes – including deductible value added tax (hereinafter referred to as VAT), duties, other authority and public administration fees;

21. interest expenses and exchange rate losses;

22. operating costs including travel and accommodation costs and meal allowances, excluding trustee bank account fees;

23. representation expenses;

24. fees of legislation updates;

25. translation costs;

26. intercompany profit;

27. the costs of assets related to energy generation with the exceptions set forth under Section VI;

28. acquisition of an establishment, if the price involved is not the market price;

29. acquisition of the ownership of a company (acquisition of business shares or stocks), in-kind contributions, acquisition of ownership as the result of the transformation of a company (Section 49 of Act C of 2000 on Accounting);

30. acquisition of interest-bearing debt securities;

31. assets acquired free of charge [Section 50(4) of Act C of 2000 on Accounting],

32. amount paid when a financial leasing transaction fails (lease payments, expenses, charges);

33. the value of the assets required for the operation of the Hungarian branch of a company seated abroad and for the settlement of the debts thereof [Section 50(7) of Act C of 2000 on Accounting];

34. the value of the assets received by the Hungarian branch of a company seated abroad from such a non-resident company or from a non-resident branch thereof [Section 50(8) of Act C of 2000 on Accounting];

35. costs related to the investment and paid from a bank account the applicant failed to notify the managing authority of;

36. in the case of real estates, the difference between the purchase price and the market value set by an independent real estate appraisal;

II. Leasing costs

The costs related to the leasing of a land area, a lot, buildings and other assets shall be considered eligible, if the leasing transaction involved is a closed-end financial leasing transaction, and if the lease agreement sets forth the obligation to buy the asset after the expiration of the lease term.

III. Property rental costs

If a new property or part of a property (including new offices) is required to be rented for the implementation of the investment, the rental costs are to be considered eligible by the end of the commitment period.

IV. Intangible assets shall meet the following requirements:

a) only the applicant may use them and they may be only used in the subsidised establishment;

b) the acquisition value of the the intangible assets involved shall be decreased by the planned depreciation write-offs, in accordance with the provisions of Act C of 2000 on Accounting.

c) they shall be purchased under market conditions, from third parties unrelated to the purchaser,

d) such assets are to be listed among the assets of the applicant at least by the end of the investment, and should be linked to the subsidised investment project,

e) as for large enterprises, intangible assets may account for no more than 50% of eligible costs.

V. Eligible tangible assets shall meet the following requirements:

a) acquired tangible assets shall serve the subsidised process in the long term, but at least by the end of the monitoring period,

b) in the case of new assets acquired within the same group of companies, the amount of eligible costs may not the exceed the amount recorded in the books of the seller.

VI. Costs of assets related to energy generation

The costs of assets related to renewable energy generation are considered eligible costs, provided that the conditions set below are cumulatively fulfilled:

a) energy production is not the primary aim of the investment,

c) the capacity of energy production does not exceed the energy demand of the applicant, and not more than 20% of the energy generated is sold.

VII. VAT

If the applicant is not entitled to deduct VAT in the course of the investment or the utilization of the investment, then the gross total costs of the investment (incl. VAT) shall serve as a basis for the calculation of the subsidy. The budget of the project shall be planned with gross amounts included.

If the applicant is subject to VAT or is not yet subject to VAT but will be subject to VAT through the investment or by the utilization of the investment, and is entitled to partially or fully deduct VAT, then the net total costs of the investment (excl. VAT) shall serve as a basis for the calculation of the subsidy.

VIII. Used assets

a) For large companies only the costs of new assets – except for the provisions of paragraph b) below – may be considered eligible, while for medium-sized companies the costs of used assets are eligible as well.

b) In the case of large companies, the costs of acquired used assets may only be considered eligible, if such an asset used to be the asset of an establishment that has been closed down, and its seller is a third party unrelated to the investor (acquisition of an establishment).

IX. Real property

a) If the classification of the property (residential property, holiday home, etc.) contained by the Abstract of Title does not meet with the aim of the investment, the property cannot be considered as eligible cost, unless it will be reclassified in the land register until the investment is completed.

b) Cost of the land shall not exceed the 25% of the total eligible cost.

X. Heavy goods vehicle

a) Cost of the Heavy goods vehicle shall not exceed the 25% of the total eligible cost, and the Heavy goods vehicle has to be in books of the Applicant in three years after completed the investment.

b) Heavy goods vehicle: a lorry, a tractor and a combination of these vehicles and a trailer with a maximum authorized mass exceeding 7,5 tonnes.