

COMPETITION COUNCIL
REPORTING, MONITORING AND CONTROL
STATE AID DIRECTORATE

REPORT

**on monitoring state aids granted to beneficiaries
in the motor vehicle sector which are operating
in Free Zones and Deprived Areas**

According to the provisions of point 4 -The competition policy - within ANNEX VII at the Treaty regarding the accession to the European Union of The Republic of Bulgaria and Romania, approved by Law no.157/2005¹, Romania must send the European Commission **half-yearly reports regarding monitoring state aids granted to beneficiaries in the vehicle sector which operate in Deprived Areas and Free Zones.**

As mentioned in the previous reports, according to the grantor's communication, respectively the Ministry of Public Finance, **in the free zones, there have not been identified any undertakings that are benefiting from state aids and that are active in the motor vehicle sector, according to Annex C at the Commission's Communication – the multi-sector framework on regional aids for large investment projects².**

¹ Law no.157/24th of May 2005 for the ratification Treaty between The Kingdom of Belgium, The Czech Republic, The Kingdom of Denmark, The Federal Republic of Germany, The Republic of Estonia, The Hellenic Republic, The Kingdom of Spain, The French Republic, Ireland, The Italian Republic, The Republic of Cyprus, The Republic of Latvia, The Republic of Lithuania, The Grand Duchy of Luxembourg, The Republic of Hungary, The Republic of Malta, The Kingdom of Netherlands, The Republic of Austria, The Republic of Poland, The Portuguese Republic, The Republic of Slovenia, The Slovak Republic, The Republic of Finland, The Kingdom of Sweden, The United Kingdom of Great Britain and Northern Ireland (UE state members), and The Republic of Bulgaria and Romania regarding The Republic of Bulgaria and Romania accessing the UE, signed by Romania at Luxembourg on the 25th of April 2005, published on the 1st of June 2005 in the Official Gazette no. 465.

² The Multisectorial Framework on regional state aid for large investment projects (JO C70, 19.03.2002, p 8), communicate in such a way as it was last time changed and published in JO C 263, 1.11.2003, p 3.

As concerning the **deprived areas**, the Ministry of Public Finance, as grantor of state aids, periodically communicates data about the **2 undertakings whose object of activity is NACE code 2932 (in the past this code was 3430), corresponding to the manufacturing of other motor vehicle parts and accessories.**

The legal framework of granting the facilities in the deprived areas has been established in 1998, through the adoption of G.E.O. no. 24/1998³ regarding the regime in deprived areas.

Thus, according to the legal provisions mentioned above, only undertakings which have their headquarters and develop their activities strictly in the deprived area, and those which have obtained the permanent investment certificate before the 1st of July 2003, can benefit from regional state aids.

Following the subsequent modifications and completions brought to G.E.O. no.24/1998, starting with March 2005, the only fiscal facility that can be granted to undertakings with a permanent investment certificate in the deprived area (strictly during the period of existence of the deprived area, which according to the provisions of Law no. 507/2004 can be declared over a minimum period of 3 years, but not longer than 10 years) is **the exemption from profit tax corresponding to new investments**, within the maximum admissible level of state aid intensity.

In order to determinate the intensity of the state aid, according to the legal provisions mentioned above, it is taken into account the **eligible costs corresponding to the investments made until the 15th of September 2004 and also, the value of the state aid received by the undertakings starting with the 2nd of January 2003.**

According to the provisions of point 4 within Annex VII of the Treaty regarding the accession of The Republic of Bulgaria and Romania to the EU, Romania may continue to grant exemptions from paying taxes on profit following G.E.O.

³ G.E.O. no.24/1998 regarding the regime in deprived areas has suffered, along time, a string of modifications and amendments through the following acts: G.E.O. no.75/2000, Law no.621 for approving G.E.O. no.75/2000, Law no.345/2002 on Value Aid Tax, Law no.414/2002 on profit tax, Law no.678/2002 for modifying art.6(1)b) from G.E.O. no.24/1998, Law no.571/2003 on the Fiscal Code, subsequently modified and amended, Law no.239/2004 completing G.E.O. no.24/1998, Law no.507/2004 for approving G.O. no.94/2004 on regulating some financial measures

no.24/1998 regarding the regime in deprived areas, within the following conditions:

- the state aid is granted for regional investments;
- the net intensity of such a regional aid can't exceed the level of 50% of the net aid equivalent. This ceiling can be raised with 15 percentage points for the small and middle-sized enterprises, provided that the total aid intensity does not exceed 75%;
- if the enterprise activates in the motor vehicle sector⁴, the total aid can't exceed a maximum of 30% of the eligible investment costs.

In order to determine the dimension or the category of the verified undertaking, besides the specific pieces of information concerning the activity of monitoring state aids, there have been recorded additional data and information about the total number of employees and the recorded turnover.

Taking into consideration the elements above mentioned, which were the starting point for the analysis made, the situation concerning the 2 undertakings reported by the Ministry of Public Finance is the following:

- **S.C. STAR TRANSMISSION S.R.L.** has its headquarters in the Alba County, in the **deprived area of Cugir** and is defined as a large company. The activity of the company consists in producing gears, shafts, other engine components, gear boxes and steering boxes for different types of motor vehicles. From the data submitted by the grantor, it results that the enterprise may further benefit of state aid, because its level of intensity is **9,43%**.

- **S.C. KEY SAFETY SYSTEMS RO S.R.L.** has its headquarters in the Hunedoara County, in the **deprived area of Brad** and is defined as a large company. The activity of the company consists in producing wheels and safety belts for different types of motor vehicles. The undertaking has not benefited from any kind of state aid up to now.

⁴ Within the meaning of Annex C of the Commission Communication – Multi-sector framework on regional aid for large investment projects (OJ C 70, 19.03.2002, p.8). Communication as last amended and published in OJ C 263, 1.11.2003, p.3)

Also, it must be mentioned that the existing deadline for the **deprived area of Cugir** is **the end of the year 2010**, while commencing with the 1st of January 2009, the **deprived area of Brad** finished its deprived area status, which was due at **the end of the year 2008**. Following this, the grantor can no longer grant exemptions from paying taxes on profit, based on G.E.O. no. 24/1998, for S.C. Key Safety Systems Ro SRL.

The data presented above indicates that the 2 presented undertakings are in line with the maximal admissible limits provided by the guidelines in the Treaty, respectively 30% for undertakings which operate in the motor vehicle sector. S.C. STAR TRANSMISSION Cugir S.R.L., the single state aid beneficiary in a deprived area which operates in the motor vehicle sector, will be further monitored, during the entire period for which the area of Cugir is declared a deprived area.