

## Publication

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# AID TO STIMULATE BUSINESS INVESTMENT IN THE COVID-19 ERA

### **Objective:**

The purpose of this aid is to encourage firms which find themselves in financial difficulty as a result of a significant fall in turnover, to carry out investments which would have been cancelled or postponed because of the economic crisis caused by the COVID-19 pandemic.

*Three types of aid are envisaged:*

- 1) investment aid for development projects,
- 2) investment aid for process and organisational innovation projects,
- 3) investment aid for energy efficiency or retrofitting projects.

*Terms and conditions:*

The Minister may grant aid to companies that :

1. have an establishment permit

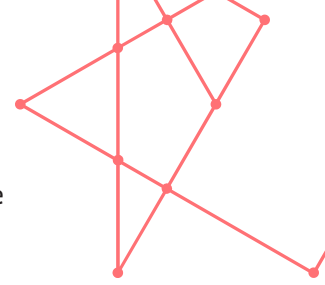
and

2. suffered a loss in sales of at least 15% as a result of the COVID-19 pandemic in the months of April and May 2020 compared to the same period in fiscal year 2019 or to the average monthly sales figure for fiscal year 2019.

Only projects with an incentive effect are eligible. The incentive effect is presumed when the start of the project, i.e. the start of work (including the placing of orders), takes place after the aid has been granted.

The procedure for granting the aid :

- The aid takes the form of a capital grant.
- The maximum amount of aid may not exceed EUR 800 000 per single company/group and must be granted no later than 31 December 2020.
- Project closure must take place no later than 2 years after the date of grant.



- The capital grant is paid after the project closure. However, one or more payments on account may be made as and when the investments for which the aid was granted are completed.

### **Investment aid for a development project**

*For what types of investments?*

To be considered an eligible cost, an investment consists of the acquisition of tangible and/or intangible assets (patents, licences, know-how or other types of intellectual property, as well as software) relating to

1. the extension of an existing establishment,
2. the diversification of production or provision of an existing establishment into new or additional products or services,
3. a fundamental change in the overall production process or service delivery of an existing establishment.

Excluded are investments linked to the creation of a new enterprise, investments linked to operating costs, such as the replacement of machinery and equipment, and investments to comply with laws, regulations or administrative provisions in force.

The maximum aid intensity shall be calculated as follows:

1. for small enterprises, 30 % of eligible costs for any investment excluding tax of more than EUR 20 000,
2. for medium-sized enterprises, 25 % of the eligible costs for any investment excluding tax of more than EUR 50 000,
3. for large enterprises, 20 % of the eligible costs for any investment excluding tax of more than EUR 250 000.

A bonus of 20% of the eligible costs if the investment is part of the circular economy contrary to its counterfactual scenario.

### **Investment aid for a process and organisational innovation project**

*For what types of investments?*

When a company makes an investment in favour of a process innovation project (the implementation of a new or substantially improved production or distribution method; this notion implies significant changes of a technical, hardware or software nature) and organisation (the implementation of a new organisational method in the company's commercial practices, workplace organisation or external relations), the Minister may grant it aid.

The maximum aid intensity is 50% of the eligible costs, provided that the eligible project costs are at least :

1. EUR 20 000 excluding tax for small enterprises ;
2. EUR 50 000 excluding tax for medium-sized enterprises ;
3. EUR 250 000 excluding tax for large enterprises.

Eligible costs are as follows:

1. Personnel costs,
2. costs related to the acquisition of tangible and intangible assets,
3. the costs of contract research, knowledge and patents purchased or licensed from external sources on an arm's length basis,
4. additional overheads and other operating costs, including the costs of materials, supplies and similar products, incurred directly as a result of the process and organisational innovation project.



Projects aimed at acquiring only tangible and intangible assets to ensure the implementation of the process and organisational innovation project are excluded.

**Investment aid for an energy efficiency project or for exceeding environmental standards**

*For what types of investments?*

When a company makes an investment in favour of an energy efficiency project or in order to exceed environmental standards, the Minister may grant it aid. The maximum aid intensity is 50 percent of the eligible costs, provided that the eligible project costs amount to at least :

1. EUR 20,000 excluding tax for small enterprises ;
2. EUR 50 000 excluding tax for medium-sized enterprises ;
3. EUR 250,000 excluding tax for large enterprises.

To be considered an eligible cost for the purposes of this Article, an investment shall consist of the acquisition of tangible assets relating to :

1. Investments in energy efficiency ;
- or
2. Investments enabling the company to go beyond national standards, or to increase the level of environmental protection in the absence of such standards.

*Aggregation rules :*

For the same eligible costs, the aid provided for in Articles 3, 4 and 5 may be cumulated with de minimis aid.

Aid may be cumulated with :

1. the repayable advances provided for in Article 3 of the Law of 3 April 2020 on the introduction of an aid scheme for firms in temporary financial difficulty, provided that the cumulation of the two types of aid does not exceed the maximum ceiling of EUR 800 000 per single firm
2. any other aid scheme which is the subject of a decision, as provided for in Article 9, by the European Commission on the basis of section 3.1. of its Communication on the temporary framework for State aid measures to support the economy in the current context of the VIDOC-19 surge, provided that the cumulation of the two aid measures does not exceed the maximum ceiling of EUR 800 000 per single undertaking
3. any aid granted on the basis of the Law of 18 April 2020 aimed at setting up a guarantee scheme for the Luxembourg economy in connection with the COVID-19 pandemic.

More information will be published on [the guichet website](#). You can also consult [the bill](#).