

# WORLD TRADE ORGANIZATION

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Committee on Subsidies and  
Countervailing Measures

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## SUBSIDIES

New and Full Notification Pursuant to Article XVI:1  
of the GATT 1994 and Article 25 of the Agreement  
on Subsidies and Countervailing Measures

EUROPEAN UNION

### Addendum

The following addendum to the notification of the European Union relates to subsidy programmes of **Bulgaria**.

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# BULGARIA

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**I. SUPPORT THROUGH NATIONAL INNOVATION FUND****1. Scheme for support of innovative undertakings through the National Innovation Fund**1. Period covered by the notification

2009; 2010.

2. Policy objective and/or purpose of the subsidy

3.1. Scheme, applicable in the period May 2005 - December 2009 for supporting the research and development activities of the enterprises working in collaboration with research organizations;

3.2. Scheme on support of SMEs' participation to international fairs;

3. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

In 2009 – background for the schemes on p. 3.1. and 3.2.:

- Law on the State Budget for 2009, promulgated in the State Gazette No. 110/30.12.2008, with amendments;
- Council of Ministers' Decree No. 27 of 09.02.2009 on the 2009 State Budget Implementation;
- Small and Medium Sized Enterprises Act, SG No. 84/1999 (art. 14 and art. 15); with amendments;
- Investment Promotion Act, SG No. 37/2004, amended and supplemented;
- Regulations for application of the Investment Promotion Act, adopted by Council of Ministers Decree No. 221/2007, SG No. 76/2007; amended and supplemented;
- Council of Ministers' Decision No. 723 of 08.09.2004 for adoption of Innovation strategy of the R. Bulgaria and measures for its realisation;
- Council of Ministers' Decree No. 15 of 31.01.2005 for providing funds from 2005 State Budget to the Ministry of Economy for establishing the National Investment Fund (NIF);
- NIF Management Rules and Guidance on application for funding of innovative enterprises, approved by the Orders No. RD-16-82/2005, RD-16-464/2005 and RD-16-1402/2006, issued by the Minister of Economy;
- Council of Ministers' Decision of 2009 for approval of yearly program within the National strategy for encouragement of SMEs development, followed by the program's approval by the Minister of Economy and Energy for SMEs participation in international fairs;
- Orders No. RD-20/2005 and No. RD-12-0-10/2007 for the application rules for funding (issued by the SMEs Promotion Agency Executive Director) of SMEs' participation in international fairs;

In 2010 - background for the schemes on p. 3.1.:

- Law on the State Budget for 2010 promulgated in the State Gazette No. 99 of 15.12.2009, with amendments;
- Council of Ministers' Decree No. 324 of 30.12.2009 on the 2010 State Budget implementation, SG No. 3/12.01.2010, with amendments;
- Small and Medium Sized Enterprises Act, SG No. 84/1999 (art. 14 and art. 15); with amendments;

- Council of Ministers' Decision No. 723 of 08.09.2004 for adoption of Innovation strategy of the R. Bulgaria and measures for its realisation;
- Council of Ministers' Decree No. 15 of 31.01.2005 for providing funds from 2005 State Budget to the Ministry of Economy for establishing the National Investment Fund (NIF);
- NIF Management Rules and Guidance on application for funding of innovative enterprises, approved by the Orders No. RD-16-82/2005, RD-16-464/2005 and RD-16-1402/2006, issued by the Minister of Economy.

Authority responsible for the subsidy: Small and Medium Enterprises Promotion Agency at the Ministry of Economy and Energy (Ministry of Economy, Energy and Tourism after 27.07.2009).

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

- to innovative enterprises from all sectors and regions, research institutes, organizations and universities for support of research activities;
- to small and medium sized enterprises from different economy's sectors for participation in international fairs and exhibitions in 2009.

6. Subsidy per unit or in case where it is not possible, the total amount or the annual budgeted for that subsidy

- in 2009:
  - under point 3.1. – payments effectuated at the amount of BGN 6.67 mln. to 142 research and development projects, approved during the NIF's sessions in 2009;
  - under point 3.2. - BGN 1.42 mln. for support of the participation of 186 SMEs to international fairs.
- in 2010:
  - under point 3.1. – based on the contracts signed in 2009, payments effectuated in 2010 at the amount of BGN 4.34 mln. to 87 research and development projects;
  - under point 3.2. – no actionable subsidies.

7. Duration of a subsidy and/or any other time limits attached to it

2009; 2010

8. Statistical data permitting an assessment of the trade effects of the subsidy

Information on the trade effects of the subsidy is not available.

**2. Scheme "Financial assistance for training for acquisition of professional qualification"**

1. Period covered by the notification

2010

2. Policy objective and/or purpose of the subsidy

Carried out of a specific training in order to receive the professional qualification.

3. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Investment Promotion Act, SG No. 37/2004, amended and supplemented;
- Regulations for application of the Investment Promotion Act, adopted by Council of Ministers Decree No. 221/2007, SG No. 76/2007; amended and supplemented;
- Council of Ministers Decision No. 828/2010 for application of investment promotion measures according to the procedure established by the Investment Promotion Act.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

To companies from all sectors, eligible for receiving assistance for training in the municipalities with an unemployment higher than the medium one for the R. Bulgaria during the year preceding the award an "class A" investment certificate.

6. Subsidy per unit or in case where it is not possible, the total amount or the annual budgeted for that subsidy

In 2010 – granted BGN 1.64 million.

7. Duration of a subsidy and/or any other time limits attached to it

2010 – 31.12.2013.

8. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal in view of the amount granted.

**II. ASSISTANCE TO ECONOMIC DEVELOPMENT AND STRUCTURAL ADJUSTMENT**

**1. Support to regional development**

1. Title of the subsidy programme

*Scheme for tax relief constituting regional aid, subject to fulfilment of the conditions under Art. 189 of the Corporate Income Tax Act (CITA)*

2. Period covered by the notification

2009; 2010.

3. Policy objective and/or purpose of the subsidy

Regional aid for initial investment and jobs creation linked to the investment.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

Art. 189 of the Corporate Income Tax Act - taxable persons must fulfil specified conditions in order to receive a regional aid, connected with the initial investment in municipalities where the rate of unemployment for the year of retention is by 35% or higher than the national average for the same period.

Authority responsible for the subsidy: National Revenue Agency at the Ministry of Finance.

5. Form of the subsidy

Tax relief.

6. To whom and how the subsidy is provided

Any taxable person who has fulfilled specified conditions in the art. 189 of CITA can retain corporation tax and must invest it in material and immaterial assets as a part of an initial investment within 5 years after the beginning of the year for which the tax was retained. The initial investment must be made in municipalities where the rate of unemployment for the year of retention is by 35% or higher than the national average for the same period; the activity related to the initial investment must continue to be implemented in the respective municipality for at least 5 years after the year of completion of the initial investment (this circumstance shall be declared annually by the annual tax returns until the lapse of the five-year period); at least 25% of the value of the material and immaterial assets forming part of the initial investment must be self-financed or debt-financed by the taxable person; etc.

7. Subsidy per unit or in case where it is not possible, the total amount or the annual budgeted for that subsidy

In 2009 - BGN 3.69 million.

In 2010 - information not available by the time fixed for presentation of the 2010 WTO notification (due to the technological time for processing of all 2010 submitted tax declarations).

8. Duration of a subsidy and/or any other time limits attached to it

In 2009; in 2010 – information is not available.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It can be assumed that the trade effects are minimal.

**2. Support to environmental protection**

1. Title of the subsidy

*Scheme for tax reduction for biofuels*

2. Period covered by the notification

2010

3. Policy objective and/or purpose of the subsidy

The reduced excise duty for biofuels blends containing 4-5% biofuels is an effective way to preserve the environment, to stimulate using the biofuels in order to decrease the country's energy independence, to achieve a sustainable development of rural regions, supplementary income and new employment in the agricultural sector.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Excise Duties and Tax Warehouses Act, promulgated State Gazette (SG) No. 91/15.11.2005, amended and supplemented;
- Renewable and Alternative Energy Sources and Biofuels Act, promulgated SG No. 49/19.06.2007, amended and supplemented;
- Clean Ambient Air Act, promulgated in SG No. 45/28.05.1996, corrected, amended and supplemented;
- Ordinance for requirements of liquid oils' quality, conditions, order and manner of control, SG No. 69/2005, accepted with the Council of Ministers' Decree No. 156/15.07.2003, promulgated and supplemented;
- National long-term program 2008-2020 for encouragement the consumption of biofuels in transport sector, accepted with the Council of Ministers' Decision of 15.11.2007;
- Community guidelines on state aid for environmental protection, OJ C 82/01.04.2008.
- Authorities responsible for the subsidy: Council of Ministers; Ministry of Finance.

5. Form of the subsidy

Tax reductions for biofuels.

6. To whom and how the subsidy is provided

To all producers and importers of biofuels supplied to the market for transport purposes, to traders, to consumers.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

In 2010 – tax relief was at the amount of BGN 2.01 million.

8. Duration of a subsidy and/or any other time limits attached to it

23.11.2009 – 23.11.2011.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It can be assumed that the trade effect is minimal.

### **III. OPERATIONAL PROGRAMME "DEVELOPMENT OF THE COMPETITIVENESS OF THE BULGARIAN ECONOMY 2007-2013"**

1. Title of the subsidy programme

*Priority axis 2 "Increasing efficiency of enterprises and promoting supportive business environment", schemes - "Technological modernization of enterprises" (case XS299/2007), "Upgrade of technologies in small and medium-sized enterprises" (case X74/2008); "Upgrade of technologies in large enterprises" (case X 73/2008), "Support for implementation in the production of innovative products and services" (case X 75/2008).*

2. Period covered by the notification

2009; 2010.

3. Policy objective and/or purpose of the subsidy

Primary objective - upgrade of technologies in enterprises; secondary objective – support of small and medium sized enterprises.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- EC legislation:

Council Regulations (EC) No. 1080/2006, No. 1081/2006, No. 1082/2006; Council Regulation (EC) No. 1083/2006 (with amendments); Council Regulation (EC) No. 1084/2006; Commission Regulation (EC) No. 1828/2006; Commission Regulation (EC) No. 800/2008; Commission Regulation (EC) No. 846/2009;

- Bulgarian legislation:

Law on the State Budget for 2009, State Gazette No. 110/30.12.2008, with amendments; Council of Ministers' Decree No. 27 of 09.02.2009 on the 2009 State Budget Implementation; Law on the State Budget for 2010, SG No. 99/15.12.2009, with amendments; Council of Ministers' Decree No. 324 of 30.12.2009 on the 2010 State Budget implementation, SG No. 3/12.01.2010, with amendments; Council of Ministers' Decision No. 312/2002 on adoption of strategy for the participation of Bulgaria in the EU Structural Funds and the Cohesion Fund; Council of Ministers' Decree No. 55/12.03.2007 on conditions and contract award procedure conducted by beneficiaries of agreed grant from the EU Structural Funds and from the PHARE Programme of the EU, with amendments; Council of Ministers' Decision No. 62/21.03.2007 on the adoption of national rules on eligibility of expenditure under the Operational programmes co-financed by the EU Structural Funds and the Cohesion Fund in relation to the 2007-2013 Financial Framework, with amendments; Council of Ministers' Decree No. 121/2007 on determining the procedure on grant awarding under the Operational Programmes, cofinanced from the Structural Funds and the Cohesion Fund of the EU and under the PHARE Programme of the European Union, SG No. 45 of 2007, with amendments; Council of Ministers' Ordinance No. 18/04.02.2003 on establishing a Council for the co-ordination of combating against irregularities, concerning the financial interests of the EU, SG 13/11.02.2003, with amendments; Council of Ministers' Ordinance on determination of procedures for administrating of irregularities concerning funds and programs co-financed from the EU, (SG 97/2009, with amendments); Council of Ministers' Decree No. 202/2009 on establishing a coordination mechanisms of EU management funds; Small and Medium-Sized Enterprises Act (SG 84/1999, with amendments); Regional Development Act (SG No. 14/20.02.2004, with amendments); State Aid Act (State Gazette



No. 86/24.10.2006) and Rules for the application of the SAA (published in the SG 59/0707.2004, amended and supplemented by SG No. 10/06.02.2009); Ordinance No. 6 of the Minister of Finance concerning the procedures for monitoring and ensuring transparency of state aids (SG 77/2002); Decision No. 9/04 of the Council of Ministers of R. Bulgaria for approving Bulgarian regional state aid map 2007-2013; Public Procurement Act (published in the SG No. 28/06.04.2004, with amendments); Public Financial Inspection Act (SG 92/10.11.2000, with amendments); Law on the Bulgarian National Audit Office, adopted December 2001, with amendments;

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

Through the Program's Contracting Authority and Intermediate Body (Small and Medium Enterprises Promotion Agency at the Ministry of Economy and Energy) to beneficiaries (selected after fulfillment of rules and procedure previewed under the Operational program) from the manufacturing industry and activities related to the nanotechnology; 85% co-financing from the European Regional Development Fund (EFRD) and 15% co-financing from the state budget of the R. Bulgaria.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

In 2009:

- under case XS 299/2007 – payments made within 8 contracts at the amount of BGN 1.42 mln. (BGN 1.21 mln. from EFRD and BGN 0.21 million from BG co-financing);
- under cases X 73/2008; X 74/2008; X 75/2008 the contracts have been concluded at the amount of BGN 219.61 (BGN 188.73 mln. from EFRD and BGN 30.88 million from BG co-financing) / no payments have been effectuated.

In 2010:

- under case XS 299/2007 – payments made within 31 contracts at the amount of BGN 8.15 million (BGN 6.93 million from EFRD and BGN 1.22 million from BG co-financing);
- under case X 73/2008 - payments made within 9 contracts at the amount of BGN 3.57 million (BGN 3.03 million from EFRD and BGN 0.54 million from BG co-financing);
- under case X 74/2008 - payments made within 4 contracts at the amount of BGN 2.07 million (BGN 1.76 mln. from EFRD and BGN 0.31 million from BG co-financing);
- under case X 75/2008 – no payments made.

8. Duration of a subsidy and/or any other time limits attached to it

The terms are specified in the Guidance for application for granting financial aid under the Priority axis 2 "Increasing efficiency of the enterprises and promoting supportive business environment", primary objective "Upgrade of technologies in enterprises".

9. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal in view of the purpose of the subsidy.

**IV. OPERATIONAL PROGRAMME "HUMAN RESOURCES DEVELOPMENT 2007-2013"**

1. Title of the subsidy

*Scheme "Priority axis 2 - Raising the productivity and adaptability of the employed persons", Qualified services and training to employees-phase 2; scheme "Priority axis 1 -Development".*

2. Period covered by the notification

2009; 2010

3. Policy objective and/or purpose of the subsidy

- for the case X 272/2009 - raising the labour productivity and creation of conditions of sustainable employment; improving the adaptability of employed persons with focus on improving the employability, adaptability and employees' skills, prolonging their working life and adapting to the knowledge-based economy;
- for the case X 311/2010 – training for acquisition or increasing the professional qualification of dismissed persons after 01.11.2008 in result of restructuring/closing of the enterprise, decreasing of work volume or partial closing of the manufacture, with view of their consequent inclusion in employment.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- EC legislation:

Council Regulation No. 1083/2006; Council Regulations No. 1080/2006, No. 1081/2006, No. 1082/2006 of the European Parliament; Council Regulation (EC) No. 1084/2006; Commission Regulation (EC) No. 1828/2006; Commission Regulation (EC) No. 800/2008;

- Bulgarian legislation:

Law on the State Budget for 2009, SG No. 110/30.12.2008, with amendments; Council of Ministers' Decree No. 27 of 09.02.2009 on the 2009 State Budget Implementation; Law on the State Budget for 2010, SG No. 99/15.12.2009, with amendments; Council of Ministers' Decree No. 324 of 30.12.2009 on the 2010 State Budget implementation, SG No. 3/12.01.2010, with amendments; Council of Ministers' Decision No. 312/2002 on adoption of strategy for the participation of Bulgaria in the EU Structural Funds and the Cohesion Fund; Council of Ministers' Decision No. 62 of 21.03.2007 on the adoption of national rules on eligibility of expenditure under the Operational programmes co-financed by the EU Structural Funds and the Cohesion Fund in relation to the 2007-2013 Financial Framework; Small and Medium-Sized Enterprises Act (SG 84/1999, with amendments); State Aid Act (SG No. 86/24.10.2006) and Rules for the application of the SAA (SG 59/2004, amended and supplemented by SG No. 10/06.02.2009); Ordinance No. N16 of the minister of finance concerning the procedures for monitoring and ensuring transparency of state aids (SG 77/2002); Decision No. 9/2004 of the Council of Ministers of R. Bulgaria for approving of the

Bulgarian regional state aid map 2007-2013; Public Procurement Act (SG No. 28/06.04.2004, with amendments); Public Financial Inspection Act (SG 92/10.11.2000, with amendments); Law on the Bulgarian National Audit Office, adopted in December 2001, with amendments.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

Through the Intermediate Body (Employment Agency at the Ministry of Labour and Social Policy) to all enterprises for acquisition of professional qualification, competences and re-qualification of employed persons; 85% co-financing from the European Social Fund (ESF) and 15% co-financing from the state budget of the R. Bulgaria.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

In 2009 – contracts concluded at the amount of BGN 1.53 million [BGN 1.30 million from ESF and BGN 0.23 million (from BG co-financing)], no payments made;

In 2010:

- under case X 272/2009 (based on the contracts concluded in 2009) the payments made at the amount of BGN 0.22 million (BGN 0.18 million from the ESF and BGN 0.032 BG co-financing);
- under case X 311/2010 – contract concluded at the amount of BGN 250.00 million (BGN 213 million from the ESF and BGN 37.00 million BG co-financing), payments made – BGN 45.01 million (BGN 38.26 million from the ESF and BGN 6.75 million BG co-financing).

8. Duration of a subsidy and/or any other time limits attached to it

Duration of the scheme X 272/2009 – from 26.01.2009 till 31.03.2011; duration of the scheme X 311/2010 – from 30.12.2009 till 31.12.2012. Terms were specified in the Guidance for application of projects for granting financial aid based on the open competitive selection procedure under the abovementioned schemes.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal in view of the purpose of the subsidy.

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