

# INVEST IN AZORES

AZORES BUSINESS DEVELOPMENT SOCIETY

## Investment support: Competir +

The System of Incentives for Business Competitiveness, Competir+, aims to promote the sustainable development of the regional economy, strengthen competitiveness, the ability to reach new markets and the internationalization of regional businesses, as well as to expand the economic export base of the Azores. Competir+ is structured into seven subsystems. Applications may be submitted throughout the year on an ongoing basis.

## Subsystem of Incentives for the Promotion of the Economic Export Base

### Aim

To support investment projects, targeted at markets outside the Azores and developed in one of the following areas:

- A) Transactional goods and services;
- B) Tourism.

### Promoters

Independent entrepreneurs, single shareholder companies, private limited companies, public limited companies, commercial enterprises, cooperatives and complementary groups of companies.

### Project access requirements

Among other requirements, projects must be economically and financially viable and include a study demonstrating this, as well as specifying the person responsible for it.

Projects aimed at activities which promote tourism (see **Tourism - paragraph 2.** under Scope) are not required to comply with the abovementioned requirement. However, they must be supported by an Action Plan, in accordance with the structure laid down in the Annex attached to the regulation of this Subsystem of Incentives.

### Eligible expenditure

The following, among others, are considered eligible expenditure:

- a) Construction and reconstruction of buildings, installation works and refurbishment of facilities and other construction works, as long as directly related to the productive process and the functions required to carry out the activity;

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- b) Purchase of machinery and equipment, namely in the areas of management, production, sales and marketing, communications, logistics, design, quality, safety and hygiene, laboratory monitoring, energy efficiency and environmental protection;
- c) Acquisition of land for thermal activities, up to a maximum of 30% of the eligible investment;
- d) Purchase of light commercial vehicles and other transport equipment, provided that they are essential to carry out the respective activity and are not intended for rental without a driver, up to a limit of €50,000;
- e) Purchase of heavy-duty vehicles, provided that they are essential to carry out the respective activity, up to a limit of €250,000;
- f) Expenditure on engineering and architectural or other projects associated with the investment project, with the following limits (only for SMEs):
  - i) 5% of the investment eligible for projects up to €1,000,000;
  - ii) 4% of the investment eligible for projects between €1,000,000 and €5,000,000;
  - iii) 3% of the investment eligible for projects exceeding €5,000,000;
- g) Expenditure associated with the preparation of requests for patents, utility models and national models or designs, through national, community and international administrations, including fees, state-of-the-art research and consultancy fees related to industrial property;

## A) Transactional goods and services

### Scope

To support projects demonstrating regular and ongoing contribution to the increase of sales for markets outside the Region and which meet one of the following requirements:

- a) Involve innovation within the framework of product processing and sales listed in Annex I of the European Union and forest products, with an investment **exceeding €4,000,000**, except when developed in farms, or when raw materials come mainly from the same venue, or when developed by organizations of producers;
- b) Develop in the following areas classified according to the Portuguese Classification of Economic Activities (CAE - Rev.3), with an investment exceeding €15,000:
  - i) Manufacturing – divisions 10 to 33, with the exception of divisions 12 (Manufacture of tobacco products), 18 (Printing and reproduction of recorded media) and 19 (Manufacture of coke, refined petroleum products and fuels briquettes) and groups 206 (Manufacture of man-made fibres) and 241 (Manufacture of basic iron and steel and ferro-alloys);
  - ii) Logistics and other activities which promote the creation of tradable goods and services – group 521 (Warehousing and storage) and subclasses 51220 (Space transport), 52291 (Transport organization) and 52292 (Activities of customs clearance agents and similars);
  - iii) Consulting, computer programming and data processing, hosting and related activities, and web portals – division 62 and group 631;

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- iv) Consultancy, scientific, technical and similar activities – division 72 (Scientific research and development) and groups 741 (Specialized design activities), 743 (Translation and interpretation activities);
- v) Waste collection, treatment and disposal activities; materials recovery – division 38;
- vi) Collection, drainage and treatment of sewage – division 37;
- vii) Activities of call centers – group 822;
- viii) Hospital activities – group 861;
- ix) Tour operator activities – subclass 79120;
- x) Thermal activities – subclass 86905.

Investment projects related to the primary production of agricultural products listed in Annex I of the Treaty of the European Union aren't included in the incentives listed at paragraph b).

## B) Tourism

### Scope

1. Projects with an investment exceeding €15,000 and aimed at:

- a) Installing tourism accommodation units within the framework of tourism in rural areas and housing tourism (manor houses), provided that they are recognized as projects contributing to the diversity of tourism supply;
- b) Installing and improving tourism accommodation units with thermal facilities;
- c) Installing tourism accommodation units not covered in the above subparagraphs and/or expanding existing units, provided that they are recognized as innovative projects, which diversify or qualify tourism supply in terms of facilities and services;
- d) Installing and expanding food and beverage service activities (restaurants and similar businesses), provided that they are recognized as projects of interest for the development and consolidation of regional tourism supply;
- e) Theme parks, provided that they are recognized as being of interest for the development and consolidation of regional tourism supply;
- f) Remodeling and improving existing tourism accommodation units, emphasizing features and traits which confer them a particular identity in the context of regional tourism supply;
- g) Tourism entertainment activities provided that they are recognized as being of interest for the development and consolidation of regional tourism supply.
- h) Installing, expanding, or remodeling of hostels, provided they are located in urban centers and promote the reconstruction, recovering, or remodeling of derelict or poorly maintained buildings.

2. Projects which do not generate direct revenue, with expenses equal to or greater than €5,000, developed by companies in the tourism sector and aimed at tourism promotion events with interest previously recognized by the Regional Department for Tourism.

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## Other eligible expenditure

In addition to the eligible expenditure mentioned above, the following, among others, are considered eligible expenditure:

- a) Acquisition of land for theme parks, up to a maximum of 10% of the eligible investment;
- b) Acquisition of derelict buildings, provided that they are intended for the business implementation projects referred to in subparagraphs a) to d) of paragraph 1 under Scope, up to a maximum of 30% of the eligible investment (only for SMEs);
- c) Acquisition of buildings that, due to their location and architectural value or interest in preserving, recognized by the Regional Department for Culture, up to a maximum of 40% of the eligible investment, provided they are intended for the implementation of the businesses referred to in subparagraphs a) to d) of paragraph 1 under Scope (only for SMEs);
- d) Purchase of boats, with or without engine, up to a maximum of 70% of the eligible investment, provided they are considered essential for the development of the respective activity, have a minimum capacity of 50 passengers, and cost less than €1,000,000;
- e) Purchase of vehicles and other transport equipment, provided that they are essential for the development of the respective activity and not intended for rental without a driver, up to a maximum of €250,000, for projects promoted by tourism entertainment companies;
- f) Secondhand boats, with or without engine, with minimum capacity of 50 passengers, or other means of transport, in duly justified cases and for projects submitted by SMEs, with interest recognized by the member of the Regional Directorate for Tourism. Limited to a maximum of 70% of the eligible investment and €1,000,000;

For the projects referred to in **Tourism - paragraph 2.** under Scope, the following are considered eligible expenditure:

- a) Advertising campaigns and production of promotional pieces;
- b) Distribution and marketing of tourism products, including mailings;
- c) Promotional and educational trips, including transport and stays, up to a maximum of 60% of eligible expenditure;
- d) Organization and participation in tourism trade shows;
- e) Creation, contracting and registration of promotional trademarks;
- f) Other expenses provided that they are intended for promotion, dissemination and marketing of regional tourism products;
- g) Expenses related to the preparation of the application dossier.

## Nature and amount of the incentive

For the projects referred to in **Tourism - paragraph 1.** under Scope and for projects related to the production of **Transactional goods and services**:

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Non-refundable incentive, corresponding to the application of a percentage of 30% to São Miguel and Terceira islands, 35% to Faial and Pico islands and 40% to Santa Maria, Graciosa, São Jorge, Flores and Corvo islands. Plus a refundable incentive with zero-interest rate, corresponding to the application of a percentage of 25%.

Exceptionally, the rate of non-refundable incentive applicable to projects implemented in the Terceira Island, which create jobs and whose application is presented prior to December 31, 2019, is 40%.

Refund period for the refundable incentive is ten years, with a four-year grace period, counting from the date of the first payment of the incentive, and of twelve years, with a four-year grace period, for projects with eligible expenses greater than €2,000,000.

An achievement award may be granted upon project cruise year assessment, based on the level of achievement of results, which consists in transforming the refundable incentive into a non-refundable incentive, up to the maximum limit of the amount of the refundable incentive.

The achievement award corresponds to the application of the following percentages on eligible expenses of the project, on the basis of the following indicators of achievement of results:

- a) Job creation:
  - i) 1% for each job created, up to 5 jobs;
  - ii) 0.5% for each job created beyond 5 jobs, up to a maximum of 15%;
  
- b) Project's economic productivity (PEP), as defined in the Regulation of this Subsystem of Incentives, in the following limits:
  - i) 2.5% if the PEP ranges from 10 to 20 percentage points;
  - ii) 5% if the PEP ranges from 20 to 35 percentage points;
  - iii) 7.5% if the PEP ranges from 35 to 55 percentage points;
  - iv) 10% if the PEP corresponds to more than 55 percentage points.

The following increases to the non-refundable rates may also be granted:

- a) 2.5% of non-refundable incentive, if the project includes eligible investments in energy efficiency with amounts equal to or greater than at least 5% of the eligible expenditure;
- b) 5% of non-refundable incentive, in the case of projects that achieve the classification of projects of regional interest (PIR), according to the criteria laid down in specific regulations.

The maximum amount of aid granted is €5,000,000 in the form of non-refundable incentive and €5,000,000 in the form of refundable incentive per project.

For large investment projects, between €15.000.000 and €50.000.000 that create more than 120 new jobs, a single non-refundable incentive rate of 45% is applied to the eligible expenses, with no limit amount of incentive.

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For the projects referred to in **Tourism - paragraph 2** under Scope:

Non-refundable incentive corresponding to the application of a percentage of 50% to São Miguel and Terceira islands, 55% to Faial and Pico islands and 60% to Santa Maria, Graciosa, São Jorge, Flores and Corvo islands.

Exceptionally, the rate of non-refundable incentive applicable to projects implemented in the Terceira Island, which create jobs and whose application is presented prior to December 31, 2019, is 60%.

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## Disclaimer

This document is for information purposes only. It partially reflects but does not disclose completely nor substitute the knowledge of the full legislation governing incentives in Portugal. SDEA is available to assess specific business plans and to determine how specific investments may qualify for incentives packages and what, if any, type of packages may be applicable to the investment.