

INVEST IN AZORES

AZORES BUSINESS DEVELOPMENT SOCIETY

Prorural+

For the period 2014-2020 the Autonomous Region of the Azores has several support Programs available to investment, such as the Program for Rural Development (PRORURAL +). This program aims at the growth of the agro-forestry competitiveness, the environmental sustainability and the dynamics of rural territories, with some measures deserving particular highlight given the advantages offered to potential investors.

This document focuses on Measure 4 (Investment on Physical Assets), Submeasure 4.2 (Support to transformation, trade and development of agricultural products).

Measure 4 – Investments in Physical Assets

Submeasure 4.2. – Support to transformation, trade and development of agricultural products

Objectives

Under this measure, support may be granted to investments that are based on the transformation and trade of agricultural products, and that proceed to one or more of the following specific objectives:

- a) To promote modernization of the Azorean agri-food sector, reinforcing the appreciation of its production and providing the regional productive fabric with a sustainability basis;
- b) To reinforce the role that the transformation and trade companies play on the modernization of agricultural holdings in order to increase their competitiveness, diversification and/or quality production, contributing to a generation boost and renovation in the sector;
- c) To contribute for a reduction of the negative aspects of the production activity on the environment, namely through the process of modernizing production and equipments, and the empowerment of the companies in the agri-food sector through the increase in efficiency of the production activities, promoting the incorporation of quality systems as incentives to the usage of alternative energies, assuring the compatibility with the environmental and safety norms;
- d) To promote products' quality, innovation and differentiation in answer to the market demands.

Covered sectors

Support may be granted for investment in the sectors defined in Annex I that is an integral part of this document.

Recipients

Requirements for who may apply to the support envisaged in the current diploma:

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- a) Individual or collective people dedicated to the transformation and/or trade of agricultural goods;
- b) Regional Administration Bodies, only for support to slaughter infrastructures.

For investment projects to be carried out outside the Region, it must be demonstrated that:

- a) Headquarters are based in the Region;
- b) The appliers are dedicated to the trade of agricultural products that are transformed by the industrial activities of regional entities;
- c) The appliers are entities legally constituted in result of the concentration operation of trade activities promoted by, at least, two regional entities;
- d) The entities develop individually an industrial activity in the sectors covered by the submeasure, with headquarters in the Azores.

Typology for the investment projects

- 1. Investment projects presented under the current diploma are classified in:
 - a) “Type 1 – Micro and Small Companies Projects”: when the recipient is a micro or small company;
 - b) “Type 2 – Medium Companies Projects”: when the recipient is a medium-sized company;
 - c) “Type 3 – Other Companies Projects – Non SME”: when the recipient is not a micro or small or medium-sized company;
 - d) “Type 4 – Regional Administration Bodies Projects”: when the recipient is a Regional Administration Body;
 - e) “Type 5 – Investment Projects Outside the Region”: when investments are carried out in Mainland Portugal or Madeira.

Expenses eligibility

- 1. Among others, expenses with:
 - a) Construction, acquisition and improvement of buildings and other constructions.
 - b) The purchase or leasing of new machinery and equipments.
 - c) Acquisition and/or development of intangible assets, up to the limit of 15% of the total cost of eligible expenses foreseen in subparagraphs a) and b):
 - i) Patents, licenses, copyright or trademarks;
 - ii) Computer software;
 - iii) Organization and management systems.

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- d) General expenses related to those listed in subparagraphs a) and b), and up to the limit of 5% of the total cost of eligible expenses:
 - i) Architects, engineers and consultants honoraries, up to the limit of 2% of the total cost for eligible expenses foreseen in subparagraphs a) and b);
 - ii) Studies and diagnosis and strategy assessments needed to the presentation of the investment project, up to the limit of 1% of the total cost of eligible expenses foreseen in subparagraphs a) and b);
 - iii) Expenses with the monitoring of the execution of operations up to the limit of 0.5% of the total cost of eligible expenses foreseen in subparagraphs a) and b);
 - iv) Expenses regarding the implementation of non-obligatory certification and quality control systems, and other expenses associated to specialized consultancy;
 - v) Expenses with the design of communication tools regarding institutional marketing of products or innovative processes.
2. Whenever there are investment components common to excluded investments and eligible investments, eligible expenses are calculated proportionally according to the weight of the quantities/values of basic products/raw material associated to the eligible investments on the correspondent utilized totals.

Non-eligible Expenses

The following expenses, among others, are not eligible:

- a) Costs related to leasing contracts such as the leasing margin, costs with interest refinancing, general expenses and insurance premiums;
- b) Acquisition of second-hand goods;
- c) VAT;
- d) Contributions in kind;
- e) Simple substitution investments;
- f) Purchase of land and respective acquisition expenses (registry costs, property taxes, etc.);
- g) Purchase of urban buildings, not completely abandoned, for reutilization in the same activity;
- h) Works regarding landscape architecture and entertainment equipments such as green spaces fitting-out, televisions, bars, restaurant areas, except for mandatory social equipments;
- i) Goods whose amortization is allowed by the fiscal legislation to be realized in one single year. However, it is considered that boxes and pallets have a lifetime superior to one year, thus becoming eligible on the condition that they constitute either a first

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acquisition or a supplementary acquisition proportional to the increase in the projected capacity, and cannot be sold together with the merchandise;

- j) Repair and maintenance works.

Excluded investments

Excluded from the support foreseen in this diploma are the investments that:

- a) Direct at an increase of capacity when regarding the production of butter and powdered milk;
- b) Regard the production of whey powder, lactose, casein and caseinate, as long as they are not integrated in actions towards environmental improvement;
- c) Involve an increase in capacity superior to the Region's quota in the sugar sector;
- d) Regard the retail trade;
- e) Regard the cold storage of products, in the part that exceeds the necessary capacity to the normal functioning of the transformation or trade unit;
- f) Investments aiming at the production of renewable energies, in the part that exceeds the necessary capacities to the normal functioning of the activities foreseen in this diploma;
- g) Investments outside the deployment area of the establishment to which the project refers to, and that are not directed at the exclusive use of the establishment;
- h) Investments localised in property and/or establishment for which there is no proof of possession in the legal terms for the period during which the recipient's obligations are in place;
- i) Investments in the cereals sector, on the following conditions:
 - i1) involving an increase in capacity, as long as equivalent capacities are not abandoned in the same or other determined companies, regarding starch, grinding industry, malt and grit production, as well as regarding products derived from these sectors, excluding non-food products (except hydrogenated products derived from starch);
 - i2) Regarding animal feed and directing to an increased capacity, except when destined to safeguard the local market supply or when they refer to investments foreseeing a by-product appreciation.

Form, rates and limits to the support

1. The support is granted under the form of subvention.
2. Support rates vary between 55% and 90% of eligible investment, according to the table below.
3. For investments in Mainland Portugal and in the Autonomous Region of Madeira, the total amount of support may not exceed 1% of the FEADER – Programme for Rural Development allocated to PRORURAL+.
4. Investment projects are limited to the amount of two million Euros (2.000.000€) of public expenditure.

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5. In derogation of the previous number, when projects have more than 50% of investment in renewable energies, public expenditure is limited to three million Euros (3.000.000€).
6. When projects are related to investment in innovation, they will be eligible only if:
 - a) They are developed in agricultural holdings when the raw-material comes mainly from the holding; or
 - b) They are developed by Producers Organizations; or
 - c) They correspond to a total investment equal or superior to 4.000.000,00€.
7. Minimum eligible investment equal or superior to twenty-five thousand Euros (25.000,00€).

Support rates

Recipients/Investment type	Support rate (%)	Increase
Micro and small companies	70	If the investment generates jobs in the Autonomous Region of the Azores and/or if the recipient is a cooperative, there will be an increase up to 5%
Medium-sized companies	60	
Other entities	55	
Public entities	90	-
Environmental investments exclusively	75	-

For investments carried out in Mainland Portugal and in the Autonomous Region of Madeira, the applicable rate will be the maximum rate allowed in the region where the investment is realized.

Environmental investments: Solar energy (Constructions and equipments); Wind energy (Constructions and equipments); Geothermal energy (Constructions and equipments); Biomass energy (Constructions and equipments); Wave energy (Constructions and equipments); Energetic recovery of fluids (Constructions and equipments); Other energies exploitation (Constructions and equipments); Effluents treatment plant (Constructions and equipments); By-products recovery (Constructions and equipments); Recycling (Constructions and equipments).

Annex I Covered sectors

CAE (nº)	CAE (Designation)
10110	Cattle slaughter (Production of beef)
10120	Poultry slaughter (Production of poultry meat)
10130	Manufacturing of meat-based products
10310	Processing and preserving of potatoes
10320	Manufacturing of fruit juice and horticultural products (only 1 st transformation)
10391	Freezing of fruit and horticultural products
10392	Drying and dehydrating fruit and horticultural products
10393	Manufacturing of pastries, jams, jellies and marmalade
10394	Husking and transformation of edible nuts
10395	Preparation and preservation of fruit and horticultural products by other processes
10510	Milk and dairy industry
10611	Cereal grinding
10620	Manufacture of starch and related products
10810	Sugar industry
10822	Manufacture of confectionery products
10830	Tea and coffee industry
10840	Manufacture of condiments and seasonings
10893	Manufacture of other diverse food products (only treatment, lyophilisation and preservation of eggs and egg products)
10911	Manufacture of pre-mixes
10912	Manufacture of food products for farm animals
11021	Production of common and liqueur wines
11022	Production of sparkling wines
11030	Manufacture of cider and other fermented fruit beverages
11040	Manufacture of vermouths and other fermented non-distilled beverages
12000	Tobacco industry
46214	Wholesale trade of cereals, seeds, legumes, oilseeds and other agricultural raw-materials
46220	Wholesale trade of flowers and plants (includes ornamental plants, industrial plants, seeds and materials for vegetative propagation)
46230	Wholesale trade livestock (includes cattle and poultry markets)
46311	Wholesale trade of fruit (including bananas) and horticultural products (except potato) non-transformed
46312	Wholesale trade of potato, non-transformed
46320	Wholesale trade of meat and meat-based products
46331	Wholesale trade of milk, its derivative, eggs and bee honey

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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.