

Investment Incentives in Austria

Targeted incentives for a maximum impact

Austria offers foreign investors a broad spectrum of investment incentives, grants and subsidies, for example to assist small and medium-sized enterprises, support research and development, the launching of company start-ups, as well as investment and technological promotion measures. The type of funding ranges from cash grants and interest subsidies to loan guarantees. This extraordinarily extensive portfolio of incentives enables companies to take advantage of incentive programs tailored to their individual requirements.

EU priorities in investment promotion

The fundamental ban in the European Union on direct government assistance to companies can be put into perspective by considering the special regulations that are in effect. Direct subsidies and grants are also permissible within the EU, provided the following pre-requisites are fulfilled:

- Support for research and development work
- Strengthening the competitiveness of SMEs
- Improving the regional economic structure
- Incentives for environmental protection
- Promoting education, continuing education and training
- Modernization and restructuring measures

There are four important focal points applying to investment projects of companies that have set up business operations in Austria:

- **Regional assistance**
- **Small and medium-sized enterprises**
- **Technology promotion**
- **Environmental protection**

In addition to fulfilling EU priorities, the individual subsidies or any combination of grants must adhere to **the maximum EU funding limits for subsidies**.

Upper funding limits for subsidies – an overview

The investment promotion policies pursued by the EU have defined maximally permissible limits on incentives for specific projects, which depend on the size of the applicant company, the particular location of the investment and the type of investment project. The intensity of subsidies and assistance encompasses national subsidies, co-financing schemes as well as EU subsidies, including SME and regional grants.

Funding priorities	Small enterprises	Medium-sized enterprises	Large companies
Investments			
Outside regional development areas	max. 20%	max. 10%	
Burgenland	max. 50%	max. 40%	max. 30%
Other development areas (refer to enclosed list of towns, including the regional funding limits)	regional ceiling + 20%	regional ceiling + 10%	regional ceiling
Fundamental research	max. 100%	max. 100%	max. 100%
Industrial research	max. 70%	max. 60%	max. 50%
Experimental development	max. 45%	max. 35%	max. 25%
Environmental investments exceeding legal requirements			
Outside regional development areas	max. 40%	max. 40%	max. 30%
Within regional assistance areas	max. 40% or regional ceiling + 20%	max. 40% or regional ceiling + 20%	max. 30% or regional ceiling + 10%
Environmental investments exceeding legal requirements	max. 15%	max. 15%	
General training			
Outside regional development areas	max. 70%	max. 70%	max. 50%
Burgenland	max. 80%	max. 80%	max. 60%
Other development areas	max. 75%	max. 75%	max. 55%
Spezialized training			
Outside regional development areas	max. 35%	max. 35%	max. 25%
Burgenland	max. 45%	max. 45%	max. 35%
Other development areas	max. 40%	max. 40%	max. 30%

For the EU definition of SMEs, refer to page 6.

Regional assistance

The EU has specified financing ceilings for regional assistance measures on behalf of Austria's incentive regions during the period 2007 – 2013. Companies can be granted public assistance in carrying out their investments up to the maximum limit as stipulated by the EU, depending on the particular business location. For large companies, the maximum funding ranges between 15% and 30%, depending on the location. For investment projects with eligible expenditure not exceeding EUR 50 million, this ceiling is increased by 10% for medium-sized companies and 20% for small companies.

The maximum funding limit for company subsidies in the federal province of Burgenland is 30% for large companies, 40% for medium-sized enterprises and 50% for small firms. In the border regions of the Waldviertel and Weinviertel districts of Lower Austria, the maximum level of subsidies is 20% for large enterprises, 30% for medium-sized companies and 40% for small firms. The maximum funding limit is generally 15% for large companies, 25% for medium-sized firms and 35% for small-scale enterprises in the designated regional promotion zones.

Funding instruments:

- Low interest loans (ERP Fund, various provincial funding programs)
- Subsidies (Austria Wirtschaftsservice, EFRE)
- Guarantees (Austria Wirtschaftsservice, provincial guarantee schemes)

Provided that the investments correspond to the goals of the Structural Fund Program, additional assistance is not only possible from national funds, but from the European Union as well (European Regional Development Fund – ERDF co-financing).

Funding criteria:

- Structural improvement measures to increase competitiveness and secure jobs
- Strengthening of regions with growth and employment potential
- Counteracting of regional economic differences between structurally stronger and weaker regions
- Reduction of intensity gaps between regional promotion areas and other areas within Austria, as well as in relation to Austria's border regions to the Czech Republic, Slovakia, Hungary and Slovenia

Regional assistance areas in Austria 2007 – 2013

The national regional funding programs for investment promotion comprise the main basis for the EU's regional subsidy program, which defines upper limits for company subsidies by taking account of regional political aspects.

Federal province	Region	Political districts	Maximum limits for company subsidies		
			small	medium-sized	large
Burgenland ¹⁾	Central Burgenland	Oberpullendorf	50%	40%	30%
	North Burgenland	Eisenstadt (city and environs), Neusiedl a.S., Mattersburg, Rust (city)	50%	40%	30%
	South Burgenland	Güssing, Jennersdorf, Oberwart	50%	40%	30%
Lower Austria	Mostviertel-Eisenwurzen	Waidhofen a.d. Ybbs, Amstetten, Scheibbs	35%	25%	15%
	Lower Austria-South	Wr. Neustadt (city and environs), Baden, Lilienfeld, Neunkirchen	35%	25%	15%
	Waldviertel	Krems a.d.Donau (city), Horn, Gmünd, Krems (environs), Waidhofen a.d.Thaya, Zwettl	40%	30%	20%
	Weinviertel	Gänserndorf, Hollabrunn, Mistelbach	40%	30%	20%
	Vienna Environs North	Gänserndorf, Tulln	35%	25%	15%
	Vienna Environs South	Bruck a.d. Leitha	35%	25%	15%
Carinthia	Klagenfurt-Villach	Klagenfurt (environs), Villach (environs)	35%	25%	15%
	Upper Carinthia	Hermagor, Spittal a.d. Drau, Feldkirchen	35%	25%	15%
	Lower Carinthia	St. Veit a.d. Glan, Völkermarkt, Wolfsberg	35%	25%	15%

Federal province	Region	Political districts	Maximum limits for company subsidies		
			small	medium-sized	large
Upper Austria	Innviertel	Braunau am Inn, Ried im Innkreis, Schärding	35%	25%	15%
	Mühlviertel ²⁾	Freistadt, Perg, Rohrbach, Urfahr-Umgebung	36% / 35%	26% / 25%	16% / 15%
Salzburg	Lungau	Tamsweg	35%	25%	15%
Styria	Liezen	Liezen	35%	25%	15%
	Eastern Upper Styria	Bruck a.d. Mur, Leoben, Mürzzuschlag	35%	25%	15%
	East Styria	Feldbach, Fürstenfeld, Hartberg, Radkersburg, Weiz	35%	25%	15%
	West and South Styria	Deutschlandsberg, Leibnitz, Voitsberg	35%	25%	15%
	Western Upper Styria	Judenburg, Knittelfeld, Murau	35%	25%	15%
Tyrol	East Tyrol	Lienz	35%	25%	15%

Notes:

¹⁾ For the time being, the percentages for Burgenland only apply until the end of 2010.

²⁾ Mühlviertel / Upper Austria:

Jan. 1, 2007 – Dec. 31, 2010: 16% for large, 26% for medium-sized and 36% for small companies

Jan. 1, 2011 – Dec. 31, 2013: 15% for large, 25% for medium-sized and 35% for small companies

Small and medium-sized enterprises

Small and medium-sized enterprises are generally considered by the EU to be a particularly eligible target group for investment promotion. The following financing ceilings apply to investments implemented by SMEs throughout Austria (i.e. also in cities and regions which have not been designated as incentive regions):

Eligible investments – nationwide ceilings for Austria:

- **Small enterprises** (EU definition): **20%**
- **Medium-sized enterprises** (EU definition): **10%**

The EU has stipulated the following upper limits for grants, subsidies and guarantees for small and medium-sized enterprises:

In line with EU competition law, a **small enterprise** is defined as a company which employs 50 or fewer people, and has annual revenues of less than EUR 10 million or total assets which do not exceed EUR 10 million.

In line with EU competition law, a **medium-sized enterprise** is defined as a company which employs 250 or fewer people, and has annual revenues of less than EUR 50 million or total assets which do not surpass EUR 43 million.

In determining key figures applying to the company, associated companies (majority shareholding) are to be fully consolidated, whereas partner companies (25% - 50% shareholding) are consolidated on a pro rata basis.

Funding instruments:

- Low interest loans (ERP Fund, various provincial funding programs)
- Subsidies (Austria Wirtschaftsservice, ERDF)
- Guarantees (Austria Wirtschaftsservice, provincial guarantee schemes)

Funding criteria:

- Quality improvement measures
- Launch of innovative technologies

Technology promotion

In accordance with EU regulations, expenditures for research and development are generally considered as eligible to receive public funding, regardless of the particular business location and size of the company.

R&D projects principally distinguish between the more scientifically oriented fundamental research, and the more commercially exploitable applied research and development.

Eligible investments – nationwide ceilings for Austria:

- Industrial research and development: **50%**
- Experimental development (pre-market research): **25%**

Supplementary funding can be granted for SMEs and specific cooperation projects.

Funding instruments:

- Low interest loans (Austrian Research Promotion Agency, ERP Fund)
- Subsidies (Austrian Research Promotion Agency, various provincial assistance agencies)
- Guarantees (Austrian Research Promotion Agency)

Funding criteria:

Marketable technological innovations with corresponding risks in implementation.

Environmental protection

Expenditures on environmental protection are also generally considered as eligible to receive assistance.

Eligible investments: nationwide ceilings for Austria:

- Environmental protection measures fulfilling new, binding environmental regulations (only for SMEs): **15%**
- Environmental protection measures exceeding legal requirements: **30%**
- Investments in renewable energies and energy-saving measures: **40%**

Supplementary funding can be granted for SMEs as well as for investments in regional assistance areas.

Funding instruments:

Federal subsidies granted by the Republic of Austria

Funding criteria:

- Clean air
- Wastewater
- Renewable energy sources
- Energy efficiency
- Waste utilization

"De minimis" rule

Any company can receive up to EUR 200,000 in subsidies within a period of 3 years (so-called "de minimis" support). If the same project costs are covered by other types of aid, the "de minimis" grants must be considered in order to ensure that the legally stipulated ceiling is not exceeded.

Key incentives in Austria (an overview)

In Austria a large number of different funding programs exist. Obtaining appropriate incentives is only possible in close cooperation with federal, provincial and local authorities. The scope of assistance is significantly influenced by the size of the company and the location of the project.

All national and regional incentives are principally subject to EU incentive guidelines. For this reason, it is not permissible to exceed the maximum incentive limits as stipulated in the chart, "EU Incentive Criteria".

Regional incentives

Incentives are generally available to all companies which maintain an investment location in a regional assistance area, with the exception of firms operating in the tourism and recreation sectors. The application for subsidies from EU funds takes place automatically alongside the application for federal funding. It is not required to submit a separate application for EU incentives.

➤ **ERP Regional Program**

Aims:

These incentives are designed to provide support to technologically sophisticated investment projects leading to structural improvement and growth effects in economically disadvantaged regions and rural areas.

Eligible companies:

Enterprises with a business location in Austria carrying out investments in a regional development area within the country are eligible.

Eligible projects:

- Start-ups and business relocations with a significant regional economic impact
- Product and process innovations as well as innovative services based on the implementation of research findings or the purchase and adaptation of new technologies
- Modernization and expansion investments

Regional projects are only eligible, if the project work is first carried out after the application for incentives has been submitted and after the company has received official notification of the project's basic eligibility.

Eligible expenditures:

New investments and capitalized services, building investments including planning, land acquisition in the case of a start-up or locating company operations, costs for intangible investments (e.g. patents, licenses), and consulting costs.

Type of incentive: ERP loan

Financing volume: EUR 0.1 million to EUR 7.5 million per project and year

Duration/repayment: Up to 6 years, up to 3 repayment-free grace years

Conditions: <http://www.awsg.at/portal/media/3708.pdf>

Interest: 1.75 % p.a. in the repayment-free grace period
2.25 % p.a. in the loan redemption period
3.75 % p.a. (fixed interest rate) over 10 years

Application filing: At a trustee bank of the ERP Fund.

SME investment promotion

Small and medium-sized industrial and service enterprises, in particular firms manufacturing physical goods and production-related service companies, as well as commercial firms represent the growth drivers of the Austrian economy.

A broad range of incentives are offered to support SMEs:

- **Subsidies** provide incentives for innovative investments and measures which create or secure jobs.
- **Low interest ERP loans** facilitate the implementation of modernization and expansion investments, as well as launching new products and processes in growth enterprises
- **Guarantees for bank loans** (or ERP loans) extend the financial scope and reduce the economic risk. As a result, you have a positive impact on the rating and conditions of the loan.

Incentives are generally available to all small and medium-sized enterprises, regardless of the investment location, with the exception of firms operating in the tourism and recreation sectors.

➤ **ERP-SME Program**

Aims:

Support for technologically ambitious investment projects from growth-oriented small and medium-sized enterprises. Another strong focus of the program is the field of environmental and energy technologies, along with e-business and innovative services.

Eligible companies:

Small and medium-sized manufacturing industrial enterprises or production-related service firms with a business location in Austria can take advantage of this funding. The EU definition of SMEs applies.

Eligible projects:

The following projects can be supported within the framework of the ERP SME program:

- Start-ups and business relocations
- Product and process innovations as well as innovative services based on the implementation of research findings or the purchase and adaptation of new technologies
- Modernization and expansion investments

Eligible expenditures:

New investments and capitalized services, building investments including planning, land acquisition in the case of a start-up or locating company operations, costs for intangible investments (e.g. patents, licenses), and consulting costs.

Type of incentive: ERP loan

Financing volume: EUR 0.1 million to EUR 7.5 million per project and year

Duration/repayment: 6 to 10 years, 2 repayment-free grace year

Conditions: <http://www.awsg.at/portal/media/3708.pdf>

Interest: 1.75 % p.a. in the repayment-free grace period
2.25 % p.a. in the loan redemption period
3.75 % p.a. (fixed interest rate) over 10 years

Application filing: At a trustee bank of the ERP Fund.

Investment promotion through loan guarantees

➤ **SME “Business Dynamics” Incentive Program**

Aims:

Strengthening the growth and innovation potential of existing and newly-launched economically independent small and medium-sized commercial or industrial enterprises in all sectors, with the exception of the tourism and recreation industries.

The premium funding aims to provide financial support to innovative projects in the start-up phase. Assuming the liability for external financing is designed to enable or facilitate innovation financing.

Eligible companies:

Only SMEs are eligible for funding, i.e. companies with fewer than 250 employees and either maximum annual revenues of EUR 50 million or total assets below EUR 43m. Merged companies are to be treated as a single unit. The company must have a company domicile or plant in Austria.

Eligible projects:

Innovative projects carried out by SMEs are funded in the following areas:

- Creation or supply of new, innovative or top quality products and services
- Application of new technologies
- Building up of partnerships, clusters and networks

Eligible expenditures:

Investments in tangible as well as intangible assets (e.g. technology transfer, product design and marketing), as well as related working capital financing.

Externally financed projects (e.g. bank loan, financial leasing) are eligible for funding as well as self-financed projects.

Investments of less than EUR 25,000 or which exceed EUR 2.5 million are not eligible for assistance.

Type of incentive / financing volume:

Incentives take the form of grants (premiums) and loan guarantees.

- Premiums:
 - Basic premium:
A basic premium (one-off grant) of 5% is provided for investments.
 - Bonus premium:
A bonus premium (one-off grant) of up to 10% of the project costs is provided for projects with an extraordinarily high innovation or growth potential. Federal funding accounts for half of the bonus premium, whereas the other half is financed by the particular province.

The maximum upper limit for investments which can be subsidized is EUR 750,000 per company and year.

- Guarantees:
AWS (Austria Wirtschaftsservice) assumes the liability and thus guarantees the following:
 - Investment loans up to EUR 2.5 million, with a liability limit of up to 80% of the total loan, and a term to maturity of the loan of up to 10 years (up to 20 years in special cases).
 - Working (operating) capital loans directly related to an investment project up to a maximum of EUR 1 million, with a liability limit of up to 80% of the total loan, and a maximum duration of 5 years.

For projects up to EUR 75,000, AWS does not require any furnishing of security or collateral, with the exception of the personal assumption of liability on the part of the entrepreneur or the major shareholders.

Fees for loan guarantees:

- Investment loans: from 0.6% p.a. to 3% p.a.
- Working capital loan: from 2% p.a. to 4% p.a.

➤ **SME Guarantees**

The SME liability coverage (loan guarantee) program was initiated by AWS to complement its "Business Dynamics" incentive program to promote innovation, which targets SMEs implementing innovative projects.

This program assumes the guarantee for loans designed to finance growth investments, corporate acquisitions and company successions, as well as for working capital loans.

Aims:

Improvement of the financing position of existing, newly-launched and acquired economically independent small and medium-sized commercial or industrial enterprises in all sectors by facilitating the provision of financing, with the exception of firms operating in the tourism and recreation industries.

The assumption of the liability for loans (loan guarantees) is designed to promote projects which would not receive commercial financing due to the lack of bank collateral or the inability to provide sufficient security, or else loans would be granted at unfavorable terms and conditions.

Eligible companies:

Only SMEs are eligible for funding, i.e. companies with fewer than 250 employees and either maximum annual revenues of EUR 50 million or total assets below EUR 43 million. Merged companies are to be treated as a single unit. The company must have a company domicile or a plant in Austria.

Eligible projects:

Support is provided to enable the external financing of projects which demonstrate a positive impact on the competitiveness of the business location as well as improve and stabilize the employment situation.

Projects with eligible project costs of up to EUR 25,000 per company and year can be funded through the incentive program "Guarantees for Microcredits for Small Companies" at particularly favorable terms and conditions.

Projects assisted within the framework of the SME "Business Dynamics" incentive program are not eligible for funding.

Eligible expenditures:

- Tangible and intangible investments
- Corporate acquisitions / company successions (including MBO/MBI)
- Working capital

Type and scope of funding:

AWS assists companies by assuming liability (providing a loan guarantee) for:

- Investment loans and loans to finance corporate acquisition (maximum EUR 2.5 million), with a liability limit of up to 80% of the total loan, and a normal term to maturity of up to 10 years (20 years in special cases).
- Working (operating) capital loans up to a maximum of EUR 1 million, with a liability limit of up to 80% of the total loan, and a maximum duration of 5 years.

➤ **SME Stabilization**

Aims:

Support for measures designed to improve the financing structure within the context of stabilization measures, which, in particular

- secure the long-term success chances of companies,
- serve to preserve jobs and
- are implemented based on the involvement of the company itself and its creditors.

Eligible companies:

Potentially endangered but not insolvent small and medium-sized enterprises in all sectors, with the exception of the tourism and recreation industries, which have their headquarters, head office or a business location in Austria.

Eligible projects:

Support is provided to enable the external financing of projects which serve to stabilize the business operations of the company, including the development of strategic concepts.

Projects with a minimum value of EUR 100,000 are eligible for assistance.

Projects which do not demonstrate any reasonable chances of success or for which a positive business development is unlikely on a long-term basis are not eligible for assistance.

Eligible expenditures:

- Tangible and intangible investments
- Working capital

Type and scope of funding:

Austria Wirtschaftsservice (AWS) supports and finances stabilization projects by providing loan guarantees for up to 90% of the total financing volume. The term to maturity of the guarantee is normally up to 10 years (maximum of 20 years). The liability of AWS is limited to EUR 1.5 million per project.

➤ **Double Equity Guarantee Fund**

Aims:

Facilitation of financing available to small and medium-sized enterprises by doubling private equity.

Eligible companies:

Small and medium-sized commercial companies in all sectors which are in the start-up and early development phases are eligible for assistance, with the exception of firms operating in the tourism and recreation branches. The founding or acquisition of the company may not date back more than years. The “acquisition” is defined as a transfer of ownership of more than half of the company’s equity capital.

Eligible projects:

Innovation and growth projects of young companies with equity capital that can be realistically doubled.

Criteria:

- Contribution of equity capital (by the company or private investors) in the form of additional cash
- Verification that the required equity capital has been raised
- The company has been existence for no more than 5 years, or was acquired no more than 5 years earlier
- SME as defined by the European Union

Type and scope of funding:

Liability will be assumed in the form of a loan guarantee for up to 80% of the financing amount to a maximum of EUR 1.875 million per SME. The total loan volume is limited to the equity capital contributed to the project.

Term to maturity: Up to 10 years as a rule (maximum of 20 years).

Promoting Research and Development

Research and Development in Austria

Important economic factor

Research, development and innovation are decisive factors today impacting the productivity of companies and economic prosperity. In recent years, Austrian companies have considerably increased their R&D activities, and rank among the top European nations in terms of its innovative strength.

In 2008, the proportion of research expenditures to the gross domestic product (research quota) was 2.66% (forecast for 2009: 2.73%), which is significantly higher than the EU average of 1.9%. In the period 2004 – 2008, research expenditures in Austria increased by 9.4% annually. On balance, total Austrian R&D expenditures in 2008 amounted to EUR 7.52 billion, a figure expected to rise to EUR 7.65 billion in 2009, an increase of 1.8% compared to the previous year. This weakening in R&D growth can be attributed to the predicted economic contraction.

Innovation leadership

The recently published European Innovation Scoreboard demonstrates Austria's good innovation performance. Since the year 2000, Austria has continually moved up in the rankings, improving from 11th to 6th place (200th: 8th), and ranks among the top innovation leaders behind Great Britain, Sweden, Finland, Germany and Denmark.

Good ideas are promoted

Austria offers an effective incentive system for companies with good ideas. Research more, pay less. This is a maxim applying to all companies operating in Austria, which are entitled to take advantage of a tax-exempt research allowance of 25% of all R&D expenditures. This means that 125% of research expenditures can be deducted from profits. If expenditures rise above the average of the previous three years, a tax-exempt research allowance of 35% may be possible. As an alternative, companies can also benefit from a research premium of 8%.

Forschungsförderungsgesellschaft (FFG)

Since 2005, companies aiming to do R&D have been able to take advantage of one single contact point bundling all competencies under one roof, namely the Austrian Research Promotion Agency (FFG). All firms with a registered office in Austria are entitled to apply for these grants, including subsidiaries of foreign companies. The "headquarter program" even promotes the targeted setting up and expansion of research hubs.

FFG does not only make financial resources available, but supports companies with information, consulting, identifying cooperation partners and technology transfer.

There are also other research bodies in Austria, complementing FFG, for example the Austrian Science Fund (FWF) or the promotional bank Austria Wirtschaftsservice. FWF is responsible for supporting basic research, and is open to applications from researchers in all fields.

➤ **Incentive Programs of the Austrian Research Promotion Agency (FFG)**

FFG is the support institution for application-oriented research and development, and thus the promotion agency for innovations in Austria. In this role, it carries out a broad spectrum of tasks in Austria's innovation promotion landscape, offering a comprehensive portfolio of incentive programs.

> **FFG General Funding Program:**

The basic research incentives provided by FFG provide assistance to commercially relevant research projects run by companies, research institutions and inventors.

The aim is to seize upon innovative ideas and research initiatives, and exploit them commercially in the form of specific and successful projects.

These incentives are granted on the basis of the applications submitted, and are neither limited to specific fields of research nor are they dependent upon tender deadlines.

Eligible companies:

Industrial companies, joint research institutes, other scientific institutes or their legal entities, individual researchers and consortia based in Austria are eligible for assistance.

Start-up funding and next generation funding is also offered for newly established companies.

Type and scope of funding:

FFG finances up to 50% of total project costs, based on a mix consisting of three different financing instruments:

- Grants
- Low-interest loans
- Loan guarantees

The total incentives granted are increased by additional funding available in most of Austria's federal provinces. Financial assistance is provided for staff costs, investments in research facilities and other costs (third-party services, costs for materials, travel costs in connection with patent applications).

Criteria:

Assistance is linked to a positive evaluation of the following technical and economic criteria as well as the other criteria relevant to the incentive program:

- Technical **innovation and applicability**
- Ecological relevance
- Potential for carrying out the project **at the applicant's premises**
- Technical **development risk**
- Catalyst effect on research
- Technological **innovation (technological leap forward) for the applicant**
- Possibility of carrying out production **at the applicant's premises or those of a cooperation partner**
- Economic **performance and marketing experience** of the applicant
- Market opportunities **and potential commercial utilization**
- Positive effects on economic growth **and social development**

> **FFG Start-up Funding Initiative:**

FFG's Start-up Funding Initiative is aimed at innovative, technology-oriented companies which were set up no more than six years beforehand and which fulfill the criteria for SMEs. This means annual revenue must be less than EUR 50 million the balance sheet total must be under EUR 43 million and the company must have fewer than 250 employees. A large company may not possess more than a 25% shareholding in the SME.

The aim of the funding initiative is to enable an improved approach to project financing and funding, and thus to further increase the number of high technology start-ups.

Assistance is provided to individual research and development projects, without limitations or preferences in respect to particular technological fields. Companies in all sectors are invited to submit applications for their research and development projects.

Type and scope of funding:

FFG finances up to 70% of project costs (material and staff costs) The cooperation with the investment promotion bodies of the individual federal provinces provides the basis for a significant improvement in project financing. A key component of the Start-up Funding Initiative, perhaps the most important one of all, is the potential for considerably higher project financing.

Loans granted by FFG must first be repaid after 5 years following the conclusion of the project (previously: 3 years).

> **Research Headquarters Program of FFG:**

Within the context of FFG's "Research Headquarters Program", funding is provided to research and development projects which serve to establish or sustainably and substantially expand independent research and development facilities in Austria.

The program aims to achieve a primary goal pursued by Austria's innovation policies, namely to enhance Austria's attractiveness as the research headquarters of international companies. The incentive program is also designed to sustainably build up and expand new research and development competencies, and thus strengthen headquarter functions based in Austria or attract new headquarters.

Aims:

- Expansion of research and development competencies in Austria
- Strengthening of the innovative strength of Austria as a business location
- Creation of highly-qualified jobs

Eligible companies:

Internationally active companies which operate in Austria (small, medium-sized or large) are eligible for assistance, if they establish or substantially expand their R&D headquarters in Austria, provided that a research program is defined in this context which encompasses specific research projects. Funding is only granted for these research projects.

Criteria:

- Creation of new or significant expansion of existing research and development facilities with independent responsibility for R&D projects.
- Integration in national research efforts and research cooperation networks.
- Ensuring the long-term feasibility of these measures.

Eligible expenditures:

Funding is provided for all costs and expenditures attributable to the project, which directly and in fact arise for the duration of the subsidized research activities and which are in addition to normal operating expenses. In particular, this includes staff costs, general and administrative costs arising directly as a result of the research projects, costs for using the required R&D infrastructure, costs for third party services, material and travel costs.

Financing volume:

Assistance is provided in the form of grants in accordance with the guidelines for the general funding program, comprising up to 50% of total costs.

➤ **ERP Technology Program**

Research, development and innovation projects are supported within the framework of the ERP Technology Program, focusing on development projects in specific future-oriented sectors, such as biotechnology, environmental and energy technologies, and the aeronautics component supplier industry.

Aims:

- Expansion of research and development competencies in Austria
- Enhancement of the innovative strength of Austria as a business location
- Commercial exploitation of R&D projects
- Creation of highly qualified jobs

Eligible companies:

Enterprises with business operations in Austria (small, medium-sized, large, clearly-defined R&D activities and specific development, pilot and research demonstration projects in the pipeline are eligible for assistance.

Eligible projects:

- Research and development projects aiming to launch new or significantly improved products, production processes or services
- Projects to develop prototypes, pilot or demonstration facilities as well as experimental equipment

Eligible expenditures:

Funding is provided for all costs and expenditures attributable to the project, which directly and in fact arise for the duration of the subsidized research activities and which are in addition to normal operating expenses. In particular, this includes staff costs, general and administrative costs arising directly as a result of the research projects, costs for using the required R&D infrastructure, costs for third party services, material and travel costs. Large companies are subject to the stipulations of EU Competition Law, in particular regulations in relation to fulfilling the principle of additionality.

Scope of funding:

Funding is provided as medium-term to long-term interest-free loans at particularly favorable terms and conditions, as well as the granting of loan guarantees. The financing volume depends on the eligible costs or financing needs, and generally amounts to about 50% of eligible costs.

➤ **AWS Seed Financing**

The Seed Financing Program of Austria Wirtschaftsservice (AWS) is designed to provide financial support to innovative high-tech companies in the formative start-up and early development phases with the help of performance-oriented repayable grants. The Seed Financing Program is designed for all high-tech fields. A particular focal point is on information and communications technology (ICT), physical sciences, nanotechnology and life sciences.

Aims:

Bridging the financing gap in high-tech fields and increasing the number of high-tech company start-ups.

Eligible expenditures:

AWS provides financial assistance for all costs arising in the course of starting up or expanding a high-tech company, or in the expansion of an existing company which is up to 6 years old. In particular, funding is provided for start-up and market entry costs, staff costs, working capital, costs for industrial property rights (e.g. patents and trademarks), costs of concepts and studies as well as fees for external consultants.

Costs related to the purchase of real estate, vehicles or building premise are not eligible for assistance.

Criteria:

- Technology intensity and innovation
- High growth potential on the part of the company
- High level of commitment and willingness of the entrepreneur to take risks
- Presentation of a business plan
- SME according to the accepted definition

Type and scope of funding:

- Provision of capital for the founding and development of a high-tech company
- Advisory and support services free of charge, which will be invoiced if no financing agreement is concluded

The financing takes the form of success-oriented repayable grants paid to be paid in tranches. The maximum financing volume is EUR 1 million.

The Seed Financing Program offers flexible support in the concept and implementation phases of starting up a company, and thus helps many early-stage companies to get off to a successful start.

➤ **AWS Pre-Seed Financing**

The AWS Pre-Seed Financing Program provides financing for the pre-start-up phase of high-tech companies by means of grants. The aim is to increase the number of innovative high-tech start-ups.

Incentive-eligible projects/costs:

Costs connected to the scientific implementation, evaluation of the project's commercial viability and preparation of the commercial realization of projects within the context of the pre-start-up phase are eligible for assistance. In particular, funding covers study and concept costs, staff costs and expenses for consumable supplies.

The Pre-Seed Financing Program is designed for all high-tech fields. A particular focal point is on information and communications technology (ICT), physical sciences, nanotechnology and life sciences.

Funding is not provided for costs which are not directly connected to the pre-start phase.

Funding criteria:

- Pre-start phase
- High technological intensity and new innovation on an international level
- Favorable prospects for commercial realization
- Considerable market potential
- High level of commitment and willingness of future founders to take risks

Type and scope of funding:

The funding takes the form of non-payable grants. The maximum financing volume is up to EUR 100,000, provided as a "de-minimis" grant, typically for a period of up to two years.

Moreover, the assistance also includes advisory and support services, particularly strategic and financing issues relating to launching the company in the future.

Export promotion

Companies based in Austria can benefit from a highly-developed export promotion system, in particular the attractive financing opportunities available to export businesses from Austria's export credit agency, Österreichische Kontrollbank Aktiengesellschaft (OeKB) and the Export Fund. The needs of export businesses located in Austria can be met through federal guarantees as well as private loan insurers.

➤ **OeKB Export Financing Scheme**

Since 1960, Österreichische Kontrollbank (OeKB) has been financing the export of goods and services, primarily with medium-term and long-term payment periods, giving special consideration to exports of Austrian capital goods.

The Export Financing Scheme of Österreichischen Kontrollbank (OeKB), Austria's export credit agency, offers firms the possibility to refinance exports and acquire stakes in companies abroad.

The decisive factor is a sufficient credit rating according to criteria defined by OeKB. Moreover, the transactions to be financed are required to comply with legal requirements and be carried out within the framework of OeKB's standard procedures for handling transactions, particularly with regard to the securing of loans.

The basis for the financing is

- an assumption of liability on the part of OeKB in accordance with Austrian export promotion laws or
- an assumption of liability by a private financial institution, or
- a guarantee provided by Austria Wirtschaftsservice Gesellschaft mbH ("AWS") or
- a guarantee provided by an international organization

In addition, the underlying products or services exported abroad and which are to be financed must directly or indirectly contribute towards improving Austria's balance of payments, or else the provision of these products or services must particularly be in Austria's interest.

➤ **Export credits – Austrian Export Fund Ltd.**

Corporate goal:

The Export Fund supports companies based in Austria that meet the definition of SME or export goods, the value of which is primarily created in Austria.

Owners:

70% Oesterreichische Kontrollbank AG
30% Austrian Federal Chamber of Commerce

Eligible companies:

Export companies contracting with foreign partners to deliver domestic goods (goods manufactured or significantly altered in Austria) or to provide services are eligible for loans. Foreign origin of up to 50% is generally accepted. Raw materials and semi-finished goods not obtainable domestically are not considered to be of foreign origin.

General purpose lines of credit:

General purpose lines of credit are made available on the basis of ongoing export activity. When used, these lines of credit must be set off against export orders or receivables. If financing requirements decrease, a corresponding repayment of the loan must be carried out. The export fund can cancel the credit line 10 days before expiration of each half-year deadline as defined in the loan agreement. If no cancellation takes place, the line of credit can be extended for a further 6 month period. The exporter can terminate the agreement at any time.

Financing volume:

Loan amounts are based on financing requirements and the level of export activity. The loan ceiling is set at 30% of the previous year's export revenues or the anticipated export revenues for the current business year.

Interest rate: Since April 2009, the interest rate has been set at 2.50%.

Important investment promotion institutions

Austria offers foreign investors a broad spectrum of incentives, e.g. to assist small and medium-sized enterprises, support start-ups or promote investment and technological development. The type of funding ranges from cash grants and interest subsidies to loan guarantees.

Austrian membership in the European Union further expanded the nation's already exceptionally high level of investment promotion programs.

This extraordinarily extensive portfolio of incentives enables companies to take advantage of incentive programs tailored to their individual requirements.

ABA-Invest in Austria works hand-in-hand with the assistance agencies and is delighted to help design an optimal package of investment incentives for investment projects.

Incentives search tips:

The “incentives compass” (Förderkompass) of the Federal Ministry of Transport, Innovation and Technology:

This “incentives compass” lists all incentives on its Web site, and provides an overview of suitable assistance programs.

www.foerderkompass.at

Incentive platform:

This interactive incentive advisory service is a reference guide to selected incentives as well as competent incentive consultants working for the particular assistance agencies.

www.foerderportal.at

Federal assistance agencies:

Austria Wirtschaftsservice GmbH

Ungargasse 37
A-1030 Vienna
Tel.: +43-1-50175-0
Fax: +43-1-50175-900
Internet: www.awsg.at
E-Mail: office@awsg.at

ERP-Fonds

Ungargasse 37
A-1030 Vienna
Tel.: +43-1-50175-400
Fax: +43-1-50175-492
Internet: www.erp-fonds.at
E-Mail: office@erp-fonds.at

**FFG Österreichische
Forschungsförderungsgesellschaft mbH**

Sensengasse 1
1090 Vienna
Tel.: +43 (0)57755-0
Fax: +43 (0)57755-97900
Internet: www.ffg.at
E-Mail: office@ffg.at

Oesterreichische Kontrollbank AG

Am Hof 4, Strauchgasse 1-3
1010 Vienna
Tel.: +43-1-53127-0
Fax: +43-1-53127-5698
Internet: www.oekb.at
E-Mail: oeffentlichkeitsarbeit@oekb.at

Provincial assistance agencies:

On a regional level, companies can take advantage of specific incentive programs, which vary from one federal province to the next. They often serve as an attractive complement to existing federal incentives.

Vienna:

Wiener Wirtschaftsförderungsfonds (WWFF): www.wwff.gv.at

Stadt Wien: www.wien.gv.at/index/wirtschaftsfoerderungen.htm

Lower Austria:

ECO-Plus: www.ecoplus.at/ecoplus/

NÖ Wirtschaftsförderungs- und Strukturverbesserungsfonds: www.wirtschaftsfoerderung.at/

NÖ Kreditbürgschaftsgesellschaft mbH

NÖ Kapitalbeteiligungsgesellschaft mbH: www.noebeg.at

Burgenland:

Wirtschaftsservice Burgenland (WiBAG): www.wibag.at

Land Burgenland: www.burgenland.at

Styria:

Steirische Wirtschaftsförderung (SFG): www.sfg.co.at

Zentraler Förderungsservice der Wirtschaftskammer Steiermark: www.wkstmk.at/zfs

Land Steiermark: www.wirtschaft.steiermark.at

Carinthia:

Entwicklungsagentur Kärnten GmbH: www.entwicklungsagentur.at

Kärntner Wirtschaftsförderungs Fonds (KWF): www.kwf.at

Salzburg:

Salzburg Agentur: www.salzburgagentur.at

Land Salzburg: www.salzburg.gv.at/foerderungen.htm

Innovationservice: www.innovationservice.at

Upper Austria:

Oberösterreichische Technologie- und Marketingges.m.H. (TMG): www.tmg.at

Land Oberösterreich: http://www.land-oberoesterreich.gv.at/cps/rde/xchg/SID-84F02F96-4F6564E2/ooe/hs.xsl/12854_DEU_HTML.htm

Tyrol:

Tiroler Zukunftsstiftung: www.zukunftsstiftung.at

Land Tirol: www.tirol.gv.at/foerderungen

Vorarlberg:

Wirtschafts-Standort Vorarlberg: www.wisto.at

Land Vorarlberg:

http://www.vorarlberg.at/vorarlberg/service/a_f/foerderungen/cmsgesamtuebersichtvonfoe.htm