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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Subject:	COMMISSION DELEGATED REGULATION (EU) .../... of 15.4.2016 supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards the national support programmes in the wine sector and amending Commission Regulation (EC) No 555/2008

Delegations will find attached document C(2016) 2120 final.

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Brussels, 15.4.2016
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COMMISSION DELEGATED REGULATION (EU) .../...

of 15.4.2016

supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards the national support programmes in the wine sector and amending Commission Regulation (EC) No 555/2008

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Regulation (EU) No 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products confirms the previous approach concerning the national support programmes in the wine sector and provides for three new measures and sub-measures. This Regulation also empowers the Commission to adopt delegated and implementing acts.

The purpose of this delegated act is to supplement Regulation (EU) No 1308/2013 as regards the use of terms for the purposes of the scheme, the responsibility of expenditure, the content of the wine support programmes, the costs eligible for Union support, the prohibition on double funding, the simplified cost reimbursement options, the financial management of the scheme including rules on advances, notifications, payments to beneficiaries after due checks, and the possibility to change beneficiaries' operations and to support partly implemented operations, as well as specific control rules according to the payment method used, rules on *force majeure* and exceptional circumstances and transitional provisions.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

Consultations, involving experts from all the 28 Member States have been carried out within the Expert Group on delegated acts under the single common organisation of the markets.

The first meeting held on 21 April 2015 was organised to launch the discussion on an initial draft text. The meeting allowed for a first presentation of the Commission's ideas on the scope of this act and a first exchange of views. Further meetings of the Expert Group were held on 19 May 2015, 26 June 2015 and 22 July 2015. During these meetings, the Commission presented amended versions of the text taking broadly into account the observations and comments made orally in each of the meetings and/or sent in writing to the Commission. The draft was then finalised and presented at a fifth meeting of the Expert Group held on 23 September 2015.

The experts of the European Parliament were informed about all those discussions and invited to all the meetings.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

This delegated act contains provisions supplementing certain rules of Regulation (EU) No 1308/2013 that are necessary to ensure the proper functioning of the national support programmes in the wine sector in the new legal framework. It also adds clarity to certain provisions and introduces elements of simplification.

The act repeals the relevant provisions of Commission Regulation (EC) No 555/2008 of 27 June 2008 laying down detailed rules for implementing Council Regulation (EC) No 479/2008 on the common organisation of the market in wine as regards support programmes, trade with third countries, production potential and on controls in the wine sector.

COMMISSION DELEGATED REGULATION (EU) .../...

of 15.4.2016

supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards the national support programmes in the wine sector and amending Commission Regulation (EC) No 555/2008

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007¹, and in particular Article 53 thereof,

Having regard to Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008², and in particular Article 63(4) thereof,

Whereas:

- (1) Regulation (EU) No 1308/2013 has repealed and replaced Council Regulation (EC) No 1234/2007³. Section 4 of Chapter II of Title I of Part II of Regulation (EU) No 1308/2013 contains rules on national support programmes in the wine sector and empowers the Commission to adopt delegated and implementing acts in that respect. In order to ensure the smooth functioning of the support programmes in the wine sector in the new legal framework, certain rules have to be adopted by means of such acts. Those acts should replace the relevant implementing rules of Commission Regulation (EC) No 555/2008⁴.
- (2) Apart from adapting the relevant provisions of Regulation (EC) No 555/2008 to Section 4 of Chapter II of Title I of Part II of Regulation (EU) No 1308/2013, this Regulation aims at simplifying and clarifying certain provisions of Regulation (EC) No 555/2008 with a view to reducing the error rate and to adapting them to the reality

¹ OJ L 347, 20.12.2013, p. 671.

² OJ L 347, 20.12.2013, p. 549.

³ Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) (OJ L 299, 16.11.2007, p. 1).

⁴ Commission Regulation (EC) No 555/2008 of 27 June 2008 laying down detailed rules for implementing Council Regulation (EC) No 479/2008 on the common organisation of the market in wine as regards support programmes, trade with third countries, production potential and on controls in the wine sector (OJ L 170, 30.6.2008, p. 1).

of the procedures and operations in place. At the same time, this Regulation intends to limit the administrative burden for operators and the national administrations to the maximum extent possible.

- (3) Title V of Regulation (EU) No 1306/2013 establishes rules on control systems and penalties and empowers the Commission to adopt delegated acts laying down rules on the conditions to withdraw totally or partially the support granted or not to pay a part or all of the support when the beneficiary does not comply with the eligibility criteria, commitments or other obligations relating to the conditions for the granting of the aid or support. In order to clarify the payment to be made in cases of partial implementation of an approved operation, it is necessary to lay down specific rules in this Regulation.
- (4) In the interest of legal certainty, certain terms used in this Regulation and in Commission **Implementing Regulation (EU) [...]**⁵ should be defined. In particular, it is appropriate to establish who is eligible for support under each single measure. In order to build synergies, associations of producers that are not formally recognised can be eligible beneficiaries even if they only associate in a temporary form in conformity to the provisions of the applicable national legislation.
- (5) In order to guarantee that the support measures are implemented efficiently and effectively, eligibility criteria should be established for each measure as well as priority criteria to give preference to specific beneficiaries or operations aiming at attaining the main objectives of each measure.
- (6) Article 45 of Regulation (EU) No 1308/2013 provides for support for promotion. In the interest of legal certainty, the information and promotion operations and the respective eligible actions should be defined. In any case they should not contradict the position of the public health authorities of the Member States and they should be in accordance with the national legislation of the third country where they are implemented.
- (7) With a view to ensuring the maximum effectiveness of the information and promotion operations, they should be open to operators and their associations in all their forms. Bodies governed by public law should not be the only beneficiaries in a given Member State. In order to avoid the promotion of individual brands in the Union, single operators should not benefit from support for information measures in Member States.
- (8) In order to ensure that the largest number of operators can benefit from support and that information and promotion operations are as diversified as possible, this support should be limited to a maximum period of three years for the same beneficiary in the same third-country or third country market. Where the need for an extension is demonstrated in terms of consolidation of the information operation and of the penetration in that market, Member States should be allowed to authorise an extension for a total maximum period of two years.
- (9) With a view to encouraging synergies, as regards support for information in Member States, preference should be given to operations encompassing several Member States or regions or several protected designations of origin or protected geographical indications.

⁵ Commission **Implementing Regulation (EU) [...]** of.... (OJ L xxx).

- (10) As regards support for promotion in third countries, priority should be given to new promotion operations, in order to support operators who have not benefitted from the scheme before, or operators who want to open new markets in third countries. In order to support the penetration in third countries where imports of Union wine are not yet consolidated, Member States should be allowed to give priority to operators targeting emerging third-country markets.
- (11) The costs that cannot be considered eligible for support for restructuring and conversion of vineyards should be specified, including the costs for grubbing-up and for compensating income loss in the framework of support for replanting for plant-health reasons, which only aims at supporting the costs for replanting after mandatory phytosanitary measures under certain conditions.
- (12) As regards support for green harvesting, Member States should be allowed to apply restrictions regarding varieties, specific environmental and phytosanitary risks and the method to be used to carry out that measure in order to be able to adapt the implementation of that measure to the specific needs resulting from their market situation and to the conditions of the areas planted with vines, while taking into consideration the impact of the different green harvesting methods. However, certain conditions for the proper functioning of the measure should be established. In addition, a maximum period of duration of support should be fixed in order to ensure that the measure does not become a permanent alternative outlet for products compared to placing them on the market.
- (13) It is necessary to lay down rules concerning support for mutual funds. The rules should aim at preventing abuses and provide for limits in time and in financial terms. Furthermore, in order to encourage the use of the support measure, it is appropriate to provide for the same level of contribution for all Member States.
- (14) Certain conditions for support for the harvest insurance should be established. In particular, it is appropriate to derogate from the rule providing for payments to be made in full to beneficiaries and to allow under certain conditions that support is paid to intermediaries in order to avoid undue administrative burden, provided that this does not distort the competition in the insurance market.
- (15) The eligible actions and eligible costs for support for investments and innovation should be established. In particular, it is appropriate to allow the participation of research and development centres in the innovation operation and to give priority to the operations where research and development centres participate. Moreover, interbranch organisations should be allowed to be co-beneficiaries of innovation operations. In addition, as regards support for investments and for innovation in the wine sector it is important to specify, for clarity reasons, that simple replacement investments cannot be considered as eligible costs, so as to make sure that the aim of the measure, *inter alia* the improvement in terms of adjustment to market demand and increased competitiveness, is met by such support.
- (16) The disposal of wine by-products is subject to the rules set out in Articles 21, 22 and 23(1) and (2) of Regulation (EC) No 555/2008. Where the disposal is carried out with by-product distillation, certified distillers can benefit from support under Article 52 of Regulation (EU) No 1308/2013. In this respect, it is appropriate to clarify the meaning

of 'raw alcohol' and to exclude the use of alcohol obtained for the purposes of the food and drink industry to avoid distortion of competition.

- (17) Rules should be laid down for all relevant measures to ensure that clear demarcation criteria are introduced in the support programmes to exclude that actions or operations financed under the common organisation of the market are also financed under other Funds. Those rules should allow Member States to establish at the level of the support programme any type of demarcation they consider as the most appropriate, provided that it enables to clearly define *a priori* which Fund should finance any given action or operation applied for by a specific operator.
- (18) As regards support for restructuring and green harvesting, Member States should have a margin of discretion in deciding on the details of the scope and levels of the support, including in particular simplified cost reimbursement methods, contributions in kind and maximum levels of support, within the constraints laid down in Section 4 of Chapter II of Title I of Part II of Regulation (EU) No 1308/2013 and the provisions adopted in pursuance thereof. Common rules should be laid down in that respect.
- (19) In respect of the support for promotion and innovation, it is appropriate to lay down rules on the eligibility and the calculation of personnel and administrative costs, so as to ensure that they are applied in a uniform manner at Union level.
- (20) In order to consider the totality of the costs incurred and definitely borne by the beneficiary when implementing an eligible operation, and in line with the rule concerning the award of grants applicable to other Union Funds such as provided for in Article 69(3)(c) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council⁶, non-recoverable value added tax should be eligible for support, provided that certain conditions are met. Those conditions should be specified.
- (21) In order to ensure the spending of the funds reserved for the support programmes, it is appropriate to provide for advance payments. In particular, it is necessary to lay down in which cases advance payments may be made and to make advance payments conditional on the lodging of a security.
- (22) It is appropriate to specify that no support should be paid to producers with unlawful plantings or with areas planted with vines without authorisation.
- (23) In order to protect the financial interests of the Union, it should be specified that support may be paid to beneficiaries only after the conclusion of all due final checks, except for advance payments, which are subject to the lodging of a security.
- (24) Under certain conditions, changes to the operations submitted by beneficiaries and approved by the competent authority should be allowed. Full flexibility should be granted as regards minor changes, as provided for by the Member State. In any case,

⁶ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320).

financial transfers between the actions covered by an approved operation should be allowed within certain limits without prior approval by the competent authority.

- (25) Payment of the support after full implementation of the approved operations should be the general rule. However, it is appropriate to derogate from that general rule for restructuring and green harvesting, which are area-based measures. For those measures, rules should be established on the calculation of the amount to be paid or the amount to recover of the amount already paid in relation to the part that has not been implemented.
- (26) As regards restructuring and green harvesting, it should be clarified in which cases the measurement of the surface should comply with specific requirements. In all other cases, Member States should be required to lay down appropriate control methods to establish the actual extent of implementation of the operation.
- (27) Provisions should be made for resolving cases of *force majeure* and other exceptional circumstances to ensure fair treatment of producers.
- (28) In the interest of clarity and legal certainty, the provisions of Regulation (EC) No 555/2008 that are replaced by this Regulation and **Implementing Regulation (EU) [...]** should be deleted. Regulation (EC) No 555/2008 should therefore be amended accordingly.
- (29) Provision should be made for a smooth transition from the relevant rules of Regulation (EC) No 555/2008 to the new rules set out in this Regulation and **Implementing Regulation (EU) [...]**,

HAS ADOPTED THIS REGULATION:

CHAPTER I

Introductory provisions

Article 1

Scope and use of terms

1. This Regulation lays down provisions supplementing Section 4 of Chapter II of Title I of Part II of Regulation (EU) No 1308/2013 on the support programmes in the wine sector.
2. This Regulation shall not affect the application of:
 - (a) specific provisions governing relations between Member States in combating fraud in the wine sector in so far as they are such as to facilitate the application of this Regulation;
 - (b) rules relating to:

- (i) criminal proceedings or mutual assistance among Member States at judicial level in criminal matters;
 - (ii) the administrative penalties procedure
3. For the purposes of this Regulation, “operation” means the action or the group of actions that are included in a project or contract submitted by an applicant and selected by the national authorities under a given support programme, corresponding to any of the activities under the measures referred to in Article 43 of Regulation (EU) No 1308/2013.

Article 2

Responsibility for expenditure

Member States shall bear the responsibility for any expenditure effected under their support programme or any changes to that programme submitted to the Commission in accordance with Articles 1 and 2 of **Implementing Regulation (EU) [...]** in case they do not become applicable in accordance with Article 41(4) or (5) of Regulation (EU) No 1308/2013.

CHAPTER II

Provisions on specific support measures

SECTION 1

PROMOTION

SUB-SECTION 1

COMMON PROVISIONS

Article 3

Beneficiaries

The beneficiaries of the support referred to in Article 45 of Regulation (EU) No 1308/2013 shall be professional organisations, wine producer organisations, associations of wine producer organisations, temporary or permanent associations of two or more producers, inter-branch organisations or, where a Member State decides so, bodies governed by public law

within the meaning of Article 1(9) of Directive 2004/18/EC of the European Parliament and of the Council⁷.

Private companies may be beneficiaries of the measure referred to in point (b) of Article 45(1) of Regulation (EU) No 1308/2013.

Member States shall not make a body governed by public law the sole beneficiary of the support.

Article 4

Duration of the support

The support for each information and promotion operation shall last no longer than three years for a given beneficiary in a given Member State for the measure referred to in point (a) of Article 45(1) of Regulation (EU) No 1308/2013 and for a given beneficiary in a given third country or third-country market for the measure referred to in point (b) of Article 45(1) of Regulation (EU) No 1308/2013.

However, if justified in view of the effects of the operation, the support for an operation may be extended once for a maximum of two years or twice for a maximum of one year for each extension.

Article 5

Eligible costs and reimbursement rules for information and promotion operations

Subject to Article 45 of Regulation (EU) No 1308/2013 and Articles 6 and 9 of this Regulation, Member States shall lay down rules setting out the eligible actions and their respective eligible costs. Those rules shall be designed to ensure that the objectives of the schemes as laid down in Article 45 of Regulation (EU) No 1308/2013 are met.

Those rules shall provide in particular for the payment either on the basis of standard scales of unit costs calculated in accordance with Article 24 of **Implementing Regulation (EU) [...]** or on the basis of supporting documents to be submitted by the beneficiaries.

SUB-SECTION 2

INFORMATION IN THE MEMBER STATES

Article 6

Eligible operations

⁷ Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (OJ L 134, 30.4.2004, p. 114).

1. The operations and their underlying actions for which the support referred to in point (a) of Article 45(1) of Regulation (EU) No 1308/2013 is applied shall consist of information for consumers in Member States as regards responsible consumption of wine and the risk associated with harmful alcohol consumption and the Union scheme of protected designations of origin and protected geographical indications in relation to the specific quality, reputation or other characteristics of wine due to its particular geographical environment or origin.
2. The information activities referred to in paragraph 1 may be carried out through information campaigns and through participation in events, fairs and exhibitions of national or Union importance.
3. The information disseminated shall be based on the intrinsic qualities of wine or its characteristics and shall not be brand-oriented or encourage the consumption of wine on the grounds of its specific origin. However, the origin of a wine may be indicated as part of the information activity.
4. All information concerning the effects of wine consumption on health and behaviour shall be based on generally accepted scientific data and shall be compatible with the approach of the national authority responsible for public health in the Member State where the operations are carried out.

Article 7

Eligibility criteria

Member States shall examine an application against the following criteria:

- (a) the operations and their underlying actions are clearly defined, describing the information activities and including the estimated cost;
- (b) assurances that the proposed costs of the operation are not in excess of the normal market rates;
- (c) assurances that beneficiaries have access to sufficient technical and financial resources to ensure that the operation is implemented effectively;
- (d) the consistency with the strategies proposed and the objectives set and the likely impact and success in raising consumer's awareness about responsible consumption of wine and the risk associated with harmful alcohol consumption or about the Union system of protected designation of origin and protected geographical indications.

Article 8

Priority criteria

1. Having examined the applications, Member States shall give preference to operations:

- (a) concerning both the responsible consumption of wine and the Union systems covering protected designations of origin and protected geographical indications;
 - (b) concerning several Member States;
 - (c) concerning several administrative or wine regions;
 - (d) concerning several protected designations of origin or protected geographical indications of the Union.
2. Member States may establish other priority criteria by indicating them in the support programme. Such other priority criteria shall be based on the specific strategy and objectives set out in the support programme and shall be objective and not discriminatory.

SUB-SECTION 3

PROMOTION IN THIRD COUNTRIES

Article 9

Eligible operations

The operations and their underlying actions for which the support referred to in point (b) of Article 45(1) of Regulation (EU) No 1308/2013 is applied shall consist in promotion of Union wines on third-country markets provided that:

- (a) the products are intended for direct consumption and export opportunities or potential new market outlets in the targeted third countries exist for them;
- (b) the origin of the product is indicated as part of an information or promotion operation in the case of wine with a protected designation of origin or a protected geographical indication;
- (c) the operation supported is clearly defined, including the specification of which products may be taken into account, the marketing actions and the estimated cost;
- (d) the information or promotion messages are based on the intrinsic qualities of the wine, and comply with the legislation applicable in the third countries at which they are targeted.

Article 10

Eligibility criteria

Member States shall examine an application against the following criteria:

- (a) the operations and their underlying actions are clearly defined, describing the promotion activities and including the estimated cost;
- (b) assurances that the proposed costs of the operation are not in excess of the normal market rates;
- (c) assurances that beneficiaries have access to enough technical capacity to face the specific constraints of trade with third countries and have sufficient resources to ensure that the operation is implemented as effectively as possible;
- (d) evidence submitted by beneficiaries that enough products in terms of quality and quantity will be available to ensure answering the market demand in the long run after the promotion operation;
- (e) the consistency between the strategies proposed and the objectives set and the likely impact and success in increasing demand for the products concerned.

Article 11

Priority criteria

1. Having examined the applications, Member States shall give preference to:
 - (a) new beneficiaries who did not receive the support referred to in point (b) of Article 45(1) of Regulation (EU) No 1308/2013 in the past;
 - (b) beneficiaries targeting a new third country or a new third-country market for which they did not receive the support referred to in point (b) of Article 45(1) of Regulation (EU) No 1308/2013 in the past.
2. Member States may establish other priority criteria by indicating them in the support programme. Such other priority criteria shall be based on the specific strategy and objectives set out in the support programme and shall be objective and not discriminatory.

SECTION 2

RESTRUCTURING AND CONVERSION OF VINEYARDS

Article 12

Beneficiaries

The beneficiaries of the support referred to in Article 46 of Regulation (EU) No 1308/2013 shall be wine growers as defined in point (a) of Article 2 of Commission Regulation (EC) No 436/2009⁸.

⁸ Commission Regulation (EC) No 436/2009 of 26 May 2009 laying down detailed rules for the application of Council Regulation (EC) No 479/2008 as regards the vineyard register, compulsory

Article 13

Eligibility criteria

Member States shall examine an application against the following criteria:

- (a) the detailed description of the proposed actions and the proposed deadlines for their implementation;
- (b) the actions to be implemented in each financial year, and the area concerned by each operation.

Article 14

Ineligible costs

The costs of the following actions shall not be eligible:

- (a) day-to-day management of a vineyard;
- (b) protection against damage by game, birds or hail;
- (c) construction of windbreaks and wind protection walls;
- (d) driveways and elevators;
- (e) purchase of farm vehicles.

Article 15

Replanting for health or phytosanitary reasons

1. Replanting of a vineyard following a mandatory grubbing-up for health or phytosanitary reasons on the instruction of a competent authority of a Member State referred to in point (c) of the first subparagraph of Article 46(3) of Regulation (EU) No 1308/2013 shall be eligible for support provided that the Member State:
 - (a) communicates to the Commission, in the framework of the submission of the national support programme or any modification of that support programme, the list of harmful organisms covered by that activity as well as a summary of a related strategic plan established by the competent authority of the Member State concerned;
 - (b) complies with Council Directive 2000/29/EC⁹.

declarations and the gathering of information to monitor the wine market, the documents accompanying consignments of wine products and the wine sector registers to be kept (OJ L 128, 27.5.2009, p. 15).

⁹ Council Directive 2000/29/EC of 8 May 2000 on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community (OJ L 169, 10.7.2000, p. 1).

2. During a given financial year, the expenditure for replanting for health or phytosanitary reasons shall not exceed 15% of the total annual expenditure on restructuring and conversion of vineyards in the Member State concerned during that same financial year.
3. The costs of grubbing-up of infected vineyards and compensation for loss of revenue shall not constitute eligible expenditure.

Article 16

Priority criteria

Member States may establish priority criteria by indicating them in the support programme. Such priority criteria shall be based on the specific strategy and objectives set out in the support programme and shall be objective and not discriminatory.

SECTION 3

GREEN HARVESTING

Article 17

Beneficiaries

The beneficiaries of the support referred to in Article 47 of Regulation (EU) No 1308/2013 shall be wine growers as defined in point (a) of Article 2 of Regulation (EC) No 436/2009.

Article 18

Conditions for the proper functioning

For the purposes of Article 47 of Regulation (EU) No 1308/2013, Member States shall adopt rules to ensure that the areas concerned will be kept in good vegetative conditions and that no negative impact on the environment nor any negative phytosanitary consequences result from the application of the measure referred to in that Article and to ensure that it is possible to check that the operations and actions are carried out correctly.

In relation to those objectives, Member States may apply restrictions to the measure based on objective and non-discriminatory criteria, including timing of different varieties, environmental or phytosanitary risks or the method to be used to carry out the measure.

Member States may adopt other conditions for the proper functioning of the measure referred to in Article 47 of Regulation (EU) No 1308/2013.

Article 19

Eligibility criteria

Member States shall examine an application on the basis of the details given on the area concerned, the average yield, the green harvesting method to be used as well as the grape variety and the type of wine produced from it.

Article 20

Ineligible actions

1. In case of complete or partial damage of the crops due, in particular, to a natural disaster within the meaning of Article 2(9) of Commission Regulation (EU) No 702/2014¹⁰ or an adverse climatic event which can be assimilated to a natural disaster within the meaning of Article 2(16) of that Regulation before the date of green harvesting, no support shall be granted for green harvesting.
2. In case of complete or partial damage occurring between the payment of the green harvesting support and the harvesting period, no harvest insurance financial compensation of the loss of income may be granted for the area already supported.

Article 21

Green harvesting in parcels for producing wines with geographical indications

The area of any parcel supported for green harvesting shall not be taken into consideration when calculating the yield limits set in the technical specifications of wines with a protected designation of origin or a protected geographical indication.

Article 22

Duration of the support

In order to be eligible for support, green harvesting shall not be applied on the same parcel for two consecutive years.

Article 23

Priority criteria

Member States may establish priority criteria by indicating them in the support programme. Such priority criteria shall be based on the specific strategy and objectives set out in the support programme and shall be objective and not discriminatory.

¹⁰ Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 193, 1.7.2014, p. 1).

SECTION 4

MUTUAL FUNDS

Article 24

Beneficiaries

The beneficiaries of the support referred to in Article 48 of Regulation (EU) No 1308/2013 shall be wine growers as defined in point (a) of Article 2 of Regulation (EC) No 436/2009 or producers of the products referred to in Part II of Annex VII to Regulation (EU) No 1308/2013.

Article 25

Conditions for support

1. Where the support referred to in Article 48 of Regulation (EU) No 1308/2013, is used to finance the administrative cost of setting up mutual funds, it shall be limited to the following proportion of the contribution of the producers to the mutual fund in the first, second and third year of its implementation: 10%, 8% and 4%.
2. Member States may fix ceilings for the amounts of support that may be received to finance the administrative costs of setting up mutual funds.

Article 26

Duration of the support

The support period shall not exceed three years.

SECTION 5

HARVEST INSURANCE

Article 27

Beneficiaries

1. The beneficiaries of the support referred to in Article 49 of Regulation (EU) No 1308/2013 shall be wine growers as defined in point (a) of Article 2 of Regulation (EC) No 436/2009.

2. Wine growers applying for the support shall make their insurance policy available to the national authorities in order to allow the Member States to comply with the condition laid down in Article 49(2) of Regulation (EU) No 1308/2013.

Article 28

Payments to beneficiaries

1. Member States may decide to pay the support referred to in Article 49(1) of Regulation (EU) No 1308/2013 through insurance companies as intermediaries provided that:
 - (a) the conditions laid down in Article 49(4) of Regulation (EU) No 1308/2013 are respected;
 - (b) the amount of the support is transferred in full to the producer;
 - (c) the insurance company pays the support to the producer either in advance, through a reduction of the insurance premium, or through a bank or a postal transfer within fifteen days after receiving the payment from the Member State.
2. The use of intermediaries shall be such as not to distort competitive conditions on the insurance market.

Article 29

Conditions for the proper functioning

1. For the purposes of Article 49 of Regulation (EU) No 1308/2013, Member States shall adopt conditions for the proper functioning of the measure referred to in that Article, including those necessary to ensure that the support does not distort competition in the insurance market.
2. Member States shall fix ceilings for the amounts of support that may be received in order to respect the conditions laid down in Article 49(3) of Regulation (EU) No 1308/2013. Member States may fix the level on the basis of normal market rates and standard assumptions of income loss. Member States shall ensure that the calculations:
 - (a) contain only elements that are verifiable;
 - (b) are based on figures established by appropriate expertise;
 - (c) indicate clearly the source of the figures;
 - (d) take into account regional or local site conditions as appropriate.

Article 30

Use of terms

For the purposes of Article 49 of Regulation (EU) No 1308/2013, 'natural disasters' means natural disasters as defined in Article 2(9) of Regulation (EU) No 702/2014 and 'adverse climatic events which can be assimilated to a natural disaster' means adverse climatic events that can be assimilated to a natural disaster as defined in Article 2(16) of that Regulation.

Article 31

Priority criteria

Member States may establish priority criteria by indicating them in the support programme. Such priority criteria shall be based on the specific strategy and objectives set out in the support programme and shall be objective and not discriminatory.

SECTION 6

INVESTMENTS

Article 32

Beneficiaries

The beneficiaries of the support referred to in Article 50 of Regulation (EU) No 1308/2013 shall be wine enterprises producing or marketing the products referred to in Part II of Annex VII to that Regulation, wine producer organisations, associations of two or more producers or interbranch organisations.

Article 33

Eligible actions and eligible costs

1. Only the costs of the following actions shall be eligible for support:
 - (a) the construction, acquisition, leasing, or improvement of immovable property;
 - (b) the purchase or lease-purchase of new machinery and equipment up to the market value of the asset;
 - (c) general costs linked to expenditure referred to in points (a), and (b), in particular architect, engineer and consultation fees as well as feasibility studies;
 - (d) the acquisition or development of computer software and acquisition of patents, licences and copyrights and the registration of collective marks.

The feasibility studies referred to in point (c) of the first subparagraph shall remain eligible expenditure even where, based on their results, no expenditure under points (a) and (b) of that subparagraph is made.

2. Costs connected with a leasing contract other than those referred to in points (a) and (b) of the first subparagraph of paragraph 1, in particular lessor's margin, interest refinancing costs, indirect costs and insurance charges, shall not be eligible expenditure.
3. By way of derogation from point (b) of the first subparagraph of paragraph 1, for micro, small and medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC¹¹ Member States may, if duly justified by their support programme, establish conditions under which the purchase of second-hand equipment may be regarded as eligible costs.
4. Simple replacement investments shall not constitute eligible costs.

Article 34

Compatibility and consistency

No support under Article 50 of Regulation (EU) No 1308/2013 shall be granted for operations which received support under Article 45 of that Regulation.

Article 35

Eligibility criteria

Member States shall examine an application against the following criteria:

- (a) the operations and their underlying actions are clearly defined, describing the investment actions and including the estimated cost;
- (b) assurances that the costs of the proposed operation are not in excess of the normal market rates;
- (c) assurances that beneficiaries have access to sufficient technical and financial resources to ensure that the operation is implemented effectively and that the applying enterprise is not in difficulty as referred to in the third subparagraph of Article 50(2) of Regulation (EU) No 1308/2013;
- (d) the consistency between the strategies proposed and the objectives set and the likely impact and success in improving the overall performance of the processing or marketing facilities and their adaptation to market demands, as well as increasing their competitiveness.

Article 36

Priority criteria

¹¹ Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36).

1. Having examined the applications, Member States shall give preference to operations which are likely to have positive effects in terms of energy savings, global energy efficiency and environmentally sustainable processes.
2. Member States may establish other priority criteria by indicating them in the support programme. Such other priority criteria shall be based on the specific strategy and objectives set out in the support programme and shall be objective and not discriminatory.

SECTION 7

INNOVATION IN THE WINE SECTOR

Article 37

Beneficiaries

1. The beneficiaries of the support referred to in Article 51 of Regulation (EU) No 1308/2013 shall be wine enterprises producing or marketing the products referred to in Part II of Annex VII to that Regulation, wine producer organisations and temporary or permanent associations of two or more producers.
2. Research and development centres may participate in the operation pursued by the beneficiaries. Interbranch organisations may be associated to the operation.

Article 38

Eligible actions and eligible costs

1. The operations and their underlying actions for which the support referred to in Article 51 of Regulation (EU) No 1308/2013 is applied shall consist of tangible and intangible investments including for knowledge-transfer for the development of the following:
 - (a) new products related to the wine sector or by-products of wine;
 - (b) new processes and technologies necessary for the development of grapevine products;
 - (c) other investments adding value at any stage of the supply chain.
2. The eligible costs shall include pilot projects, preparatory actions in the form of design, product, process or technology development and tests and any tangible and/or intangible investments related to them, before the use of the newly developed products, processes and technologies for commercial purposes.
3. Simple replacement investments shall not constitute eligible costs.

Article 39

Eligibility criteria

Member States shall examine an application against the following criteria:

- (a) the operations and their underlying actions are clearly defined, describing the investment actions and including the estimated cost;
- (b) assurances that the costs of the proposed operation are not in excess of the normal market rates;
- (c) assurances that beneficiaries have access to sufficient technical and financial resources to ensure that the operation is implemented effectively;
- (d) the consistency between the strategies proposed and the objectives set and the likely impact and success in improving the overall performance of the processing or marketing facilities and their adaptation to market demands, as well as increasing their competitiveness.

Article 40

Priority criteria

1. Having examined the applications, Member States shall give preference to operations which:
 - (a) are likely to have positive effects in terms of energy savings, global energy efficiency and environmentally sustainable processes;
 - (b) include an element of knowledge transfer;
 - (c) ensure the participation of research and development centres.
2. Member States may establish other priority criteria by indicating them in the support programme. Such other priority criteria shall be based on the specific strategy and objectives set out in the support programme and shall be objective and not discriminatory.

SECTION 8

BY-PRODUCT DISTILLATION

Article 41

Beneficiaries

The beneficiaries of the support referred to in Article 52 of Regulation (EU) No 1308/2013 shall be distillers of by-products of wine-making.

The relevant Member States may introduce a system of voluntary certification of distillers according to a procedure that they lay down.

Article 42

Purpose of the support

1. The support referred to in Article 52 of Regulation (EU) No 1308/2013 shall be paid to distillers that process the by-products delivered to distillation into alcohol with an alcoholic strength of at least 92 % by volume to be used exclusively for industry or energy purposes.

The first subparagraph shall not prevent the further processing of the alcohol obtained, on the basis of which the amount of support is calculated in accordance with Article 18 of **Implementing Regulation (EU) [...]**, in order to fulfil the requirement of Article 52(5) of Regulation (EU) No 1308/2013 concerning the exclusive use for industrial or energy purposes.

2. The support shall include an amount intended to compensate the costs of collection of the products concerned, which shall be transferred from the distiller to the producer, if the relevant costs are borne by the latter.

CHAPTER III

Common rules

Article 43

Prohibition of double funding

Member States shall introduce clear demarcation criteria in their national support programmes to ensure that no support is granted under Articles 45, 46, 48, 49, 50 and 51 of Regulation (EU) No 1308/2013 respectively, for operations or actions that are supported under any other Union instruments.

Article 44

Eligible costs and reimbursement rules for restructuring and conversion of vineyards and green harvesting

1. Member States shall lay down rules setting out the eligible restructuring and conversion and green harvesting operations or actions and their respective eligible costs. Those rules shall be designed to ensure that the objectives of the measures as laid down in Article 46(1) and 47(2) of Regulation (EU) No 1308/2013 are met.

Those rules shall provide in particular for the payment of the support either on the basis of standard scales of unit costs calculated in accordance with Article 24 of

Implementing Regulation (EU) [...] or on the basis of supporting documents to be submitted by the beneficiaries.

In the latter case, Member States shall establish maximum levels of support with fixed parameters for each action. Those levels shall be applied to the terms of the application in order to determine the maximum eligible amount for each of the actions that are part of the operation applied for. The support granted shall be based on the lower of the two resulting amounts, that is to say the maximum eligible amount and the amount resulting from the supporting documents.

The maximum level of support shall be based on normal market rates.

The calculation of the costs resulting from supporting documents shall be based on accounting principles, rules and methods used in the Member State where the beneficiary is established.

2. Member States shall fix the level of compensation for the loss of revenue provided for in Articles 46(4)(a) and 47(3) of Regulation (EU) No 1308/2013 on the basis of standard assumptions of loss of revenue, subject to Articles 46(5) and 47(4) of that Regulation.
3. If the standard scales of unit costs are determined on the basis of the area planted, that area shall be measured in accordance with Article 44 of **Implementing Regulation (EU) [...]**.

Article 45

Contributions in kind for restructuring and conversion of vineyards and green harvesting

1. Contributions in kind in the form of provision of work for which no cash payment supported by invoices or documents of equivalent probative value has been made, may be eligible for support under Articles 46 and 47 of Regulation (EU) No 1308/2013 respectively, provided that the support programme so provides.
2. For the purpose of the calculation of the amount of support corresponding to contributions in kind:
 - (a) those contributions in kind shall be included in the standard scales of unit costs calculated in accordance with Article 24 of **Implementing Regulation (EU) [...]**, where a Member State chooses to use the simplified cost reimbursement option; or
 - (b) the value of the work provided is determined by taking into account the time spent and the rate of remuneration for equivalent work where a Member State opts for the payment of support for restructuring and green harvesting operations on the basis of supporting documents to be submitted by the beneficiaries.
3. Where the amount of support corresponding to contributions in kind is calculated pursuant to point (b) of paragraph 2, the following criteria shall be fulfilled:

- (a) the support paid for the operation that includes contributions in kind does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation;
- (b) the value attributed to contributions in kind does not exceed the costs generally accepted on the market in question;
- (c) the value and the delivery of the contribution in kind can be independently assessed and verified.

The criterion referred to in point (a) of the first subparagraph does not apply to operations supported under Article 47 of Regulation (EU) No 1308/2013 that have as only cost the work provided as contribution in kind.

Article 46

Eligibility of personnel costs

1. Personnel costs incurred by the beneficiary of the support referred to in Article 45 of Regulation (EU) No 1308/2013 or by the beneficiary of the support referred to in Article 51 of that Regulation shall be considered eligible for support if they are incurred in relation to the preparation, implementation or follow-up of that particular supported operation, including the evaluation.

Such personnel costs include, *inter alia*, costs of personnel contracted by the beneficiary specifically on the occasion of the promotion or innovation operation and the costs corresponding to the share of the working hours invested in the promotion or innovation operation by permanent staff of the beneficiary.

2. The beneficiary shall submit supporting documents setting out the details of the work actually carried out in relation to the particular operation or to each underlying action, if relevant.
3. For the purposes of determining personnel costs linked to the implementation of an operation by the permanent personnel of the beneficiary, the hourly rate applicable may be calculated by dividing the last documented annual gross employment costs of the specific employees that have worked in the implementation of the operation by 1720 hours.

Article 47

Eligibility of administrative costs

1. Administrative costs incurred by the beneficiary of the support referred to in Article 45 of Regulation (EU) No 1308/2013 or by the beneficiary of the support referred to in Article 51 of that Regulation shall be considered eligible for support if they are incurred in relation to the preparation, implementation or follow-up of the particular supported operation or underlying action.

For the purposes of Article 45 of Regulation (EU) No 1308/2013, the costs of external audits shall be considered eligible for support where such audits are performed by an independent and qualified external body.

2. The administrative costs referred to in paragraph 1 shall be considered eligible if they do not exceed 4 % of the total eligible costs of implementing the operation.
3. Member States may decide whether the administrative costs referred to in paragraph 1 are eligible on the basis of a flat-rate amount or of actual costs established on the basis of supporting documents to be submitted by the beneficiaries. In the latter case, the calculation of those costs shall be based on accounting principles, rules and methods used in the Member State where the beneficiary is established.

Article 48

Eligibility of value added tax

1. Value added tax shall not be eligible for support, except where it is not recoverable under the applicable national VAT legislation when it is genuinely and definitively borne by beneficiaries other than the non-taxable persons referred to in the first subparagraph of Article 13(1) of Council Directive 2006/112/EC¹².
2. In order for non-recoverable VAT to be eligible, a certified accountant or statutory auditor of the beneficiary shall show that the amount paid has not been recovered and is entered as a charge in the beneficiary's accounts.

Article 49

Advance payments

Member States may provide for support for a given operation or for any single action covered by the support application under Articles 45, 46, 50, 51 and 52 of Regulation (EU) No 1308/2013 to be advanced to beneficiaries, provided that the beneficiary has lodged an appropriate security.

Article 50

Exclusion

No support shall be granted to producers farming unlawful plantings and areas planted with vines without authorisation referred to in Articles 85a and 85b of Regulation (EC) No 1234/2007 and Article 71 of Regulation (EU) No 1308/2013 respectively.

Article 51

Notifications

¹² Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p.1).

Member States shall notify the Commission of the implementation of their support programmes, the State aid granted and the support advanced to beneficiaries under the detailed conditions laid down in Chapter III of **Implementing Regulation (EU) [...]**.

If a Member State fails to make a notification as required under this Regulation or if the notification appears to be incorrect in the light of objective facts in the Commission's possession, the Commission may suspend part or all of the monthly payments referred to in Article 17 of Regulation (EU) No 1306/2013 as regards the wine sector until the notification is correctly made.

CHAPTER IV

Financial management

Article 52

Payment to beneficiaries

1. Payments under Section 4 of Chapter II of Title I of Part II of Regulation (EU) No 1308/2013 shall be made in full to beneficiaries, without prejudice to Article 28 of this Regulation.
2. Notwithstanding Article 49, the payments referred to in paragraph 1 shall be subject to prior checks as provided by Article 54(1).

Article 53

Changes to beneficiaries' operations

1. Member States may lay down rules regarding changes to the operations submitted by beneficiaries and approved by the competent authorities.

Before the submission of the final payment claim, and in any case before the on-the-spot check prior to the final payment, a beneficiary should be allowed to submit changes to the initially approved operation provided that they do not undermine the objectives of the overall operation, are duly justified, communicated within the time limits set by the national authorities and approved by them.

2. Member States may allow that minor changes within the initially approved amount of eligible support can be implemented without prior approval, provided that they do not affect the eligibility of any part of the operation and its overall objectives.

In particular, Member States may allow financial transfers between the actions covered by an operation already approved up to a maximum of 20% of the amounts initially approved for each action, provided that the total amount of approved support for the operation is not exceeded.

In their support programmes Member States may provide for other minor changes that can be implemented without prior approval.

Article 54

General principles

1. Notwithstanding Article 49, support shall be paid once it is ascertained that either an overall operation or all the individual actions which are part of the overall operation covered by the support application, according to the choice made by the Member State for the management of the support measure concerned, have been fully implemented and subjected to administrative and, where applicable, on-the-spot checks in accordance with Section 1 of Chapter IV of **Implementing Regulation (EU) [...]**.
2. Where support is normally payable after implementation of the overall operation, support shall nevertheless be paid for the individual actions implemented if checks show that the remaining actions could not be carried out due to *force majeure* or exceptional circumstances within the meaning of Article 2(2) of Regulation (EU) No 1306/2013.
3. If checks show that an overall operation covered by the support application has not been fully implemented for reasons other than *force majeure* or exceptional circumstances within the meaning of Article 2(2) of Regulation (EU) No 1306/2013, and where support has been paid after individual actions which are part of the overall operation covered by the support application, Member States shall recover the support paid.

In such cases, if an advance has been paid, Member States may decide to apply a penalty.

4. Paragraphs 1 and 3 shall not apply where operations supported under Articles 46 and 47 of Regulation (EU) No 1308/2013 respectively are not implemented on the total surface for which support was requested.

In such cases, Member States shall pay the amount corresponding to the part of the operation that has been implemented or, in case of advanced payments, recover the amount paid in relation to the part that has not been implemented.

The amount of support shall be calculated on the basis of the difference between the area approved following administrative checks on the support application or modified in accordance with Article 53 of this Regulation and the area where the operation has been actually implemented, determined by the on-the-spot checks following implementation.

Where the difference does not exceed 20%, the support shall be calculated on the basis of the area determined by the on-the-spot checks following implementation.

Where the difference is more than 20 % but no more than 50 %, the support shall be calculated on the basis of the area determined by the on-the-spot checks following implementation and reduced by twice the difference found.

Where the difference exceeds 50 %, no support shall be granted for the operation concerned.

Article 55

Standard scales of unit costs and control methods

For the purposes of Articles 46 and 47 of Regulation (EU) No 1308/2013, the following rules shall apply:

- (a) if the amount of the support is calculated on the basis of standard scales of unit costs based on a surface measurement unit, the amount shall correspond to the actual surface measured in accordance with Article 44 of **Implementing Regulation (EU) [...]**;
- (b) if Member States decide to calculate the amount of the support on the basis of standard scales of unit costs based on other measurement units or on the basis of the actual costs resulting from the supporting documents to be submitted by the beneficiaries in accordance with Article 44(1) of this Regulation, they shall lay down rules on appropriate control methods to establish the actual extent of implementation of the operation.

Article 56

Force majeure and exceptional circumstances

Where, under Section 4 of Chapter II of Title I of Part II of Regulation (EU) No 1308/2013 or this Regulation, a sanction is to be imposed, it shall not be imposed in cases of *force majeure* or exceptional circumstances and other cases laid down in Article 64(2) of Regulation (EU) No 1306/2013.

CHAPTER V

Amendments and transitional and final provisions

Article 57

Amendments of Regulation (EC) No 555/2008

Regulation (EC) No 555/2008 is amended as follows:

- (1) Article 1 is amended as follows:
 - (a) in the first subparagraph of paragraph 1, points (a), (d) and (f) are deleted;
 - (b) paragraph 3 is deleted;

- (2) Articles 2 to 20c are deleted;
- (3) in Article 23, paragraph 3 is deleted;
- (4) Articles 24 to 37b are deleted;
- (5) Article 60 is deleted;
- (6) Articles 62, 63 and 64 are deleted;
- (7) in Article 65, paragraphs 1 to 4 are deleted;
- (8) Article 66 is deleted;
- (9) Articles 75 to 82 are deleted;
- (10) Articles 96 and 97 are deleted;
- (11) Annexes I to VIIIc are deleted.

Article 58

Transitional provisions

1. The provisions of Regulation (EC) No 555/2008 that are deleted in accordance with Article 57 of this Regulation shall continue to apply to those operations that have been submitted to the competent authorities before the date of entry into force of this Regulation.
2. Member States shall ensure that the operations to which the relevant provisions of Regulation (EC) No 555/2008 continue to apply in accordance with paragraph 1 are clearly identified through their management and control system.

Article 59

Entry into force

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 15.4.2016

For the Commission
The President
Jean-Claude JUNCKER