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Subject: Proposal for a Regulation of the European Parliament and of the Council
establishing rules for direct payments to farmers under support schemes within the
framework of the common agricultural policy (*CAP Reform*)
- Presidency consolidated draft Regulation reflecting state of play in trilogues

With a view to the Council ("Agriculture and Fisheries") on 24-25 June 2013, delegations will find attached the Presidency consolidated draft Regulation reflecting the state of play in trilogues as at 20 June 2013.

All the changes compared to the Commission proposal are marked in ***bold and italics*** and **~~strikethrough~~**. Outstanding issues appear in square brackets.

Delegations are invited to note that recitals will be completed following the political agreement on the text of the provisions. Only recitals agreed during the trilogues appear in the text.

Draft

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
establishing rules for direct payments to farmers under support schemes within the
framework of the common agricultural policy**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 42 and Article 43(2) thereof,

Having regard to the 1979 Act of Accession, and in particular paragraph 6 of Protocol No 4 on cotton attached thereto,

Having regard to the proposal from the European Commission¹,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee²,

Having regard to the opinion of the Committee of the Regions³,

Having consulted the European Data Protection Supervisor⁴,

Acting in accordance with the ordinary legislative procedure,

¹ OJ C [...], [...], p. [...].

² OJ C [...], [...], p. [...].

³ OJ C [...], [...], p. [...].

⁴ OJ C [...], [...], p. [...].

Whereas:

RECITALS

[to be completed at a later stage]

HAVE ADOPTED THIS REGULATION:

TITLE I SCOPE AND DEFINITIONS

Article 1

Scope

This Regulation establishes:

- (a) common rules on payments granted directly to farmers under the support schemes listed in Annex I (hereinafter referred to as "direct payments");
- (b) specific rules concerning:
 - (i) a basic payment for farmers (hereinafter referred to as the "basic payment scheme" *and a transitional simplified scheme (hereinafter referred to as the 'single area payment scheme')*);
 - (ia) a voluntary redistributive payment (hereinafter referred to as the 'redistributive payment');*
 - (iaa) transitional national aid for farmers;*
 - (ii) a payment for farmers observing agricultural practices beneficial for the climate and the environment;
 - (iii) a voluntary payment for farmers in areas under natural constraints;
 - (iv) a payment for young farmers who commence their agricultural activity;
 - (v) a voluntary coupled support scheme;

- (vi) a crop specific payment for cotton;
- (vii) a simplified scheme for small farmers;
- (viii) a framework to enable Bulgaria, *Croatia* and Romania to complement direct payments.

Article 2

Amendment of Annex I

In order to ensure legal certainty, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 ~~for the purpose of amending~~ concerning the amendment of the list of support schemes set out in Annex I, to the extent necessary to take into account new legislative acts on support schemes which may be adopted after the adoption of this Regulation.

Article 3

Application to the outermost regions and the smaller Aegean islands

Article 11 shall not apply to the regions of the Union referred to in Article 349 of the ~~Treaty TFEU~~, (hereinafter referred to as "outermost regions") and to the direct payments granted in the smaller Aegean islands in accordance with Regulation (EC) No 1405/2006.

Titles III, IV and V shall not apply to the outermost regions.

Article 4

Definitions

1. For the purposes of this Regulation, the following definitions shall apply:
 - (a) "farmer" means a natural or legal person, or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, whose holding is situated within the ~~Union territory~~ ***territorial scope of the TEU and TFEU***, as defined in Article 52 ~~Treaty on European Union TEU~~ in conjunction with Articles 349 and 355 of the ~~Treaty on the Functioning of the European Union TFEU~~, and who exercises an agricultural activity;

- (b) "holding" means all the units used for agricultural activities and managed by a farmer situated within the territory of the same Member State;
- (c) "agricultural activity" means:
- **production**, = rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, **or**
 - maintaining the agricultural area in a state which makes it suitable for grazing or cultivation without any particular preparatory action going beyond **traditional usual** agricultural methods and machineries, **based on criteria to be defined by Member States on the basis of a framework established by the Commission**, or
 - carrying out a minimum activity, to be established by Member States, on agricultural areas naturally kept in a state suitable for grazing or cultivation;
- (d) "agricultural products" means the products listed in Annex I to the ~~Treaty~~ **TEU and the TFEU**, with the exception of fishery products, as well as cotton;
- (e) "agricultural area" means any area taken up by arable land, permanent grassland **and permanent pasture** or permanent crops;
- (f) "arable land" means land cultivated for crop production or areas available for crop production but laying fallow, including areas set aside in accordance with Articles 22, 23 and 24 of Regulation (EC) No 1257/1999, with Article 39 of Regulation (EC) No 1698/2005 and with Article 29 of Regulation (EU) No [...] [RDR], irrespective of whether or not that land is under greenhouses or under fixed or mobile cover;
- (g) "permanent crops" means non-rotational crops other than permanent grassland **and permanent pasture** that occupy the land for five years or longer and yield repeated harvests, including nurseries and short rotation coppice;

- (h) "permanent grassland **and permanent pasture**", hereinafter referred to as "**permanent grassland**" means land used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown) and that has not been included in the crop rotation of the holding for five years or longer; it may include other species **such as shrubs and/or trees suitable for grazing which can be grazed** provided that the grasses and other herbaceous forage remain predominant; **Member States may decide to include land which can be grazed and which forms part of established local practices where grasses and other herbaceous forage are traditionally not predominant in grazing areas;**
- (i) "grasses or other herbaceous forage" means all herbaceous plants traditionally found in natural pastures or normally included in mixtures of seeds for pastures or meadows in the Member State, (whether or not used for grazing animals);
- (j) "nurseries" means the following areas of young ligneous (woody) plants grown in the open air for subsequent transplantation:
- vine and root-stock nurseries;
 - fruit tree and berries nurseries;
 - ornamental nurseries;
 - commercial nurseries of forest trees (excluding those for the holding's own requirements grown within woodland);
 - trees and bushes for planting in gardens, parks, at the roadside and on embankments (e.g. hedgerow plants, rose trees and other ornamental bushes, ornamental conifers), including in all cases their stocks and young seedlings;
- (k) "short rotation coppice" means areas planted with tree species of CN code 06 02 9041 to be defined by Member States that consist of woody, perennial crops, the rootstock or stools remaining in the ground after harvesting, with new shoots emerging in the following season and with a maximum harvest cycle to be determined by the Member States;
- (l) "**sale**" means **the sale or any other definitive transfer of ownership of land or payment entitlements; it does not include the sale of land where land is transferred to public authorities and/or for use in the public interest and in either case the transfer is carried out for non-agricultural purposes;**

- (m) "lease" means lease or similar types of temporary transactions;
- (n) "transfer" means the lease or sale or actual inheritance or anticipated inheritance of land or payment entitlements or any other definitive transfer. The reversion of entitlements upon expiry of a lease does not constitute a "transfer".

2. *In order to ensure legal certainty*, ~~the~~ Commission shall be empowered to adopt delegated acts in accordance with Article 55 ~~establishing for the purposes of:~~

~~(a) laying down further definitions regarding the access to support under this Regulation;~~

~~(aa) the framework within which Member States shall define the criteria to be met by farmers in order to fulfil the obligation to maintain the agricultural area in a state suitable for grazing or cultivation as referred to in point (c) of paragraph 1;~~

(b) ~~establishing~~ the framework within which Member States shall define the minimum activities to be carried out on areas naturally kept in a state suitable for grazing or cultivation;

~~(c) establishing the criteria to be met by farmers in order to be deemed to have respected the obligation of maintaining the agricultural area in a state suitable for grazing or cultivation as referred to in point (c) of paragraph 1;~~

(d) ~~establishing~~ the criteria to determine the predominance of grasses and other herbaceous forage *and the criteria to determine the established local practices referred to in* ~~for the purpose of~~ point (h) of paragraph 1.

TITLE II
GENERAL PROVISIONS ON DIRECT PAYMENTS
CHAPTER 1

Common rules on direct payments

Article 5

Financing of direct payments

~~The support schemes listed in Annex I to this Regulation shall be financed in accordance with Article 4(1)(b) of Regulation (EU) No [...] [HZR] *Horizontal CAP Regulation and the provisions adopted pursuant to it shall apply in relation to the schemes provided for in this Regulation.*~~

Article 6

National ceilings

1. For each Member State and each year, the national ceiling comprising the total value of all allocated entitlements, of the national reserve and of the ceilings fixed in accordance with Articles **28b**, 33, 35, 37 and 39 shall be as set out in Annex II.

Where a Member State makes use of the increase provided for in the second sub-paragraph of Article 19(1), the ceiling set out in Annex II for that Member State for the respective year may be exceeded by the amount calculated in accordance with the second sub-paragraph of Article 19(1).

- 1a. *By way of derogation from paragraph 1, for each Member State applying the single area payment scheme and each year, the national ceiling comprising the ceilings fixed in accordance with Articles 28b, 28c, 33, 35, 37 and 39 shall be as set out in Annex II.*

2. In order to take account of the developments relating to the total maximum amounts of direct payments that may be granted, including those resulting from the decisions to be taken by the Member States in accordance with Article 14 *and those resulting from the application of the second paragraph of Article 17b*, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 ~~for the purpose of reviewing~~ the national ceilings set out in Annex II.

Article 7

Net ceilings

1. Without prejudice to Article 8, the total amount of direct payments which may be granted in a Member State pursuant to Titles III, IV and V in respect of a calendar year, after application of Article 11, shall not be higher than the ceilings set out in Annex III to this Regulation.

~~In order to avoid that~~ *Where* the total amount of direct payments *to be granted would be is* higher than the ceilings set out in Annex III, Member States shall make a linear reduction in the amounts of all direct payments with the exception of direct payments granted under Regulations (EC) No 247/2006 and (EC) No 1405/2006.

2. For each Member State and each year, the estimated product of capping as referred to in Article 11, which is reflected by the difference between the national ceilings set out in Annex II, to which is added the amount available in accordance with Article 44, and the net ceilings set out in Annex III, is made available as Union support for measures under rural development programming financed under the EAFRD as specified in Regulation (EU) No [...] [RDR].

3. *In order to take account of the developments relating to the total maximum amounts of direct payments that may be granted, including those resulting from the decisions taken by the Member States in accordance with Article 14, ~~the~~ the Commission shall be empowered to adopt delegated acts in accordance with Article 55 ~~for the purpose of~~ reviewing the ceilings set out in Annex III.*

Article 8

Financial discipline

1. [to be completed at a later stage]
2. ~~In the framework of the gradual introduction of direct payments as provided for in Article 16,~~ Paragraph 1 of this Article shall apply to Bulgaria and Romania as from 1 January 2016, *following the gradual introduction of direct payments provided for in Article 16, and to Croatia as from 1 January 2022, following the gradual introduction of direct payments provided for in Article 16a.*
3. *In order to ensure the correct application of the adjustments of direct payments with respect to financial discipline, ~~the~~ the Commission shall be empowered to adopt delegated acts in accordance with Article 55 ~~concerning~~ laying down rules on the basis for calculation of reductions to be applied by Member States to farmers pursuant to paragraphs 1 ~~and 2~~ of this Article.*

Article 9

Active farmer

1. No direct payments shall be granted to natural or legal persons, or to groups of natural or legal persons ~~, in cases where one of the following applies: whose agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation and who do not carry out on those areas the minimum activity established by Member States in accordance with Article 4(1)(c).~~
 - ~~(a) the annual amount of direct payments is less than 5 % of the total receipts they obtained from non-agricultural activities in the most recent fiscal year; or~~
 - ~~(b) their agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation and they do not carry out on those areas the minimum activity established by Member States in accordance with Article 4(1)(c).~~

2. ~~Paragraph 1 shall not apply to farmers who received less than EUR 5 000 of direct payments for the previous year.~~

[Member States may decide that] no direct payments shall be granted to natural or legal persons, or to groups of natural or legal persons, where they operate airports, railway services, waterworks, real estate services, sport and recreational grounds, [hunting estates], [fishing and aquaculture estates], camping sites, [mining activities].

Where appropriate, Member States may, on the basis of objective and non-discriminatory criteria, add any other similar non-agricultural businesses or activities to those listed in the first sub-paragraph, and may subsequently withdraw such additions.

A person or group referred to in the first or second sub-paragraph shall, however, be regarded as active farmer if it provides verifiable evidence, as required by Member States, which demonstrates that:

- (i) the annual amount of direct payments is at least 5% of the total receipts it obtained from non-agricultural activities in the most recent fiscal year for which such evidence is available; and/or*
- (ii) its agricultural activities are not insignificant; and/or*
- (iii) its principal business or company objects consist of exercising an agricultural activity.*

3. In addition, Member States may decide, on the basis of objective and non-discriminatory criteria, that no direct payments shall be granted to natural or legal persons, or to groups of natural or legal persons:

- (i) whose agricultural activities form only an insignificant part of their overall economic activities, and/or*
- (ii) whose principal activity or company objects do not consist in exercising an agricultural activity.*

4. Paragraphs 2 and 3 shall not apply to farmers who only received direct payments not exceeding a certain amount in the previous year. Such amount shall be fixed by Member States on the basis of objective criteria such as their national or regional specificities and shall not exceed an amount of EUR 5 000.

5. *In order to guarantee the protection of the rights of farmers*, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 ~~for the purposes of of laying down concerning:~~
- ~~(a) criteria to establish the amount of direct payments relevant for the purpose of paragraphs 1 and 2, in particular in the first year of allocation of payment entitlements where the value of the payment entitlements is not yet definitively established as well as for new farmers;~~
 - ~~(b) exceptions from the rule that the receipts during the most recent fiscal year are to be taken into account where those figures are not available; and~~
 - ~~(ea) criteria to establish *the cases when* where a farmer's agricultural area is to be considered as mainly *an* areas naturally kept in a state suitable for grazing or cultivation;~~
 - (b) criteria to establish the distinction between receipts resulting from agricultural and non-agricultural activities, and the amount of direct payments relevant for the purpose of paragraph 2 and 4, in particular in the first year of allocation of payment entitlements where the value of the payment entitlements is not yet definitively established, as well as for new farmers;*
 - (c) criteria to be met by farmers in order to prove for the purposes of paragraphs 2 and 3 that their agricultural activities are not insignificant and that their principal business or company objects consist of exercising an agricultural activity.*

6. *Member States shall notify the Commission of their decision referred to in paragraphs 2, 3 and 4 by 1 August 2014 and, in case of modifications, within two weeks of the date on which the decision is taken.*

Article 10

Minimum requirements for receiving direct payments

1. Member States shall decide not to grant direct payments to a farmer in one of the following cases:
- (a) where the total amount of direct payments claimed or due to be granted before the ~~reductions and exclusions provided for in application of~~ Article 65 of Regulation (EU) No [...] [HZR] in a given calendar year is less than EUR 100;
 - (b) where the eligible area of the holding for which direct payments are claimed or due to be granted before the ~~reductions and exclusions provided for in application of~~ Article 65 of Regulation (EU) No [...] [HZR] is less than one hectare.

In order to take account of the structure of their agricultural economies, Member States may adjust the thresholds ~~referred to set out~~ in points (a) and (b) within the limits set out in Annex IV.

2. ~~Where farmers receiving the animal-related coupled support referred to in Title IV hold fewer hectares than the A Member State which has decided to apply an area threshold selected by a Member State for the purposes of~~ *under* point (b) of paragraph 1, ~~that Member State~~ shall *nevertheless* apply point (a) of ~~that~~ paragraph *to those farmers receiving the animal-related coupled support referred to in Title IV who hold fewer hectares than the area threshold.*

3. The Member States concerned may decide not to apply paragraph 1 in the outermost regions and in the smaller Aegean Islands.
4. In Bulgaria and Romania, for the years ~~2014 and~~ 2015, the amount claimed or due to be granted as referred to in paragraph 1 shall be calculated on the basis of the amount set out in *point A of Annex V ~~A~~* for the corresponding year. *In Croatia, for the years 2015-2021, the amount claimed or due to be granted as referred to in paragraph 1 shall be calculated on the basis of the amount set out in point A of Annex Va.*

Article 11

Progressive reduction and capping of the payment

1. *[Member States shall reduce* ~~The~~ amount of direct payments to be granted to a farmer under this Regulation in a given calendar ~~shall be reduced~~ year as follows:
 - by ~~20~~ **at least [XX]** % for the tranche of more than EUR 150 000 and up to EUR ~~2300 000~~;
 - by ~~40~~ **at least [XX]** % for the tranche of more than EUR ~~2300 000~~ ~~and up to EUR~~ **250 000**;
 - ~~— by 70 % for the tranche of more than EUR 250 000 and up to EUR 300 000;~~
 - ~~— by 100 % for the tranche of more than EUR 300 000.~~

Member States may further subdivide each tranche in order to apply progressively higher fixed percentages for such sub-tranches. The fixed percentages in the first sub-paragraph may go up to 100%.

2. The amount referred to in paragraph 1 shall be calculated by subtracting the salaries *linked to an agricultural activity* effectively paid and declared by the farmer in the previous year, including taxes and social contributions related to employment, from the total amount of direct payments initially due to the farmer without taking into account the payments to be granted pursuant to Chapter 2 of Title III of this Regulation. *Where no data is available on the salaries effectively paid and declared by the farmer in the previous year, the most recent data available shall be used.*
3. Member States ~~shall ensure that no payment is made to farmers for whom it is established that, as from the date of publication of the Commission proposal for this Regulation, they artificially created the conditions to avoid the effects of this Article~~ *that decide to grant a redistributive payment to farmers pursuant to Chapter 1a of Title III of this Regulation and to use more than [...] % of the annual national ceiling set out in Annex II for that purpose may decide not to apply this Article.*
4. *No advantage by means of avoiding progressive reductions and/or capping of the payment shall be granted in favour of farmers in respect of whom it is established that, as from 19 October 2011, they artificially created the conditions to avoid the effects of this Article.*
5. *Member States shall notify the Commission by 1 August 2014 of the decisions taken in accordance with the first paragraph and the estimated product of progressive reductions and, where relevant, capping for the years 2015 to 2019.]*

Article 12

Multiple claims

The area corresponding to the number of eligible hectares in respect of which an application for a basic payment has been submitted by a farmer pursuant to Chapter 1 of Title III may be the subject of an application for any other direct payment as well as for any other aid not covered by this Regulation, save as explicitly provided otherwise in this Regulation.

Article 13

State aid

By way of derogation from Article 146(1) of Regulation [sCMO], Articles 107, 108 and 109 of the ~~TFEU~~~~reaty~~ shall not apply to payments made by Member States ~~pursuant to and~~ in conformity with this Regulation.

Article 14

Flexibility between pillars

1. Before 1 August 2013, Member States may decide to make available as additional support for measures under rural development programming financed under the EAFRD as specified under Regulation (EU) No [...] [RDR], up to ~~10~~ **[15%]** of their annual national ceilings for calendar years 2014 to 2019 as set out in Annex II to this Regulation. As a result, the corresponding amount shall no longer be available for granting direct payments.

The decision referred to in the first sub-paragraph shall be notified to the Commission by ~~the date referred to in that sub-paragraph~~ *1 August 2013. That decision shall set out* ~~The percentage notified as referred to in accordance with the second that~~ sub-paragraph *which may vary by shall be the same for calendar year the years referred to in the first* ~~sub-paragraph.~~

Member States may decide to review the decision in this paragraph with effect from calendar year 2018. Such review shall not result in a decrease of the percentage notified to the Commission in accordance with the previous sub-paragraph. Member States shall notify the Commission of any such decision on review by 1 August 2017.

2. [Before 1 August 2013, *Member States not using the possibility under paragraph 1 may decide to make available as direct payments under this Regulation up to [15 %] or, in the case of* Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United-Kingdom, ~~may decide to make available as direct payments under this Regulation~~ up to *[25 %]* of the amount allocated to support for measures under rural development programming financed under the EAFRD in the period 2015-2020 as specified under Regulation (EU) No [...] [RDR].] As a result, the corresponding amount shall no longer be available for support measures under rural development programming.

The decision referred to in the first sub-paragraph shall be notified to the Commission by ~~the date referred to in that sub-paragraph~~ *1 August 2013. That decision shall set out* ~~The percentage notified as referred to in accordance with the second that~~ sub-paragraph *which may vary by shall be the same for calendar year the years referred to in the first* ~~sub-paragraph of paragraph 1.~~

Member States may decide to review the decision in this paragraph with effect for financial years 2019 and 2020. Such review shall not result in an increase of the percentage notified to the Commission in accordance with the previous sub-paragraph. Member States shall notify the Commission of any such decision on review by 1 August 2017.

Article 15

Review

Support schemes listed in Annex I shall apply without prejudice to a possible review at any time *by a legislative act or delegated act adopted in accordance with Article 55 or implementing act adopted in accordance with Article 56* in the light of economic developments and the budgetary situation.

CHAPTER 2

Provisions applying to Bulgaria, Croatia and Romania

Article 16

Gradual introduction of direct payments in Bulgaria and Romania

In Bulgaria and Romania, the national ceilings for payments referred to in Articles **28b**, 33, 35, 37, 39 and 51 shall in ~~2014 and~~ 2015 be established on the basis of the amounts set out *in point A of Annex V.A.*

Article 16a

Gradual introduction of direct payments in Croatia

In Croatia, direct payments shall be introduced in accordance with the following schedule of increments expressed as a percentage of the corresponding level of the direct payments as applied from 2022:

- 25 % in 2013,*
- 30 % in 2014,*
- 35 % in 2015,*
- 40 % in 2016,*
- 50 % in 2017,*
- 60 % in 2018,*
- 70 % in 2019,*
- 80 % in 2020,*
- 90 % in 2021,*
- 100 % as from 2022.*

Article 17

Complementary national direct payments and direct payments in Bulgaria and Romania

1. In ~~2014 and~~ 2015, Bulgaria and Romania may use national direct payments in order to complement payments granted under the basic payment scheme referred to in Chapter 1 of Title III and, in the case of Bulgaria, also to complement payments granted under the crop specific payment for cotton referred to in Chapter 2 of Title IV.
2. The total amount of complementary national direct payments to the basic payment scheme which may be granted in respect of ~~2014 and~~ 2015 shall not exceed the amounts set out in *point B* of Annex V for ~~each of those that~~ years.

3. For Bulgaria, the total amount of complementary national direct payments to the crop specific payment for cotton *which may be granted in respect of 2015* shall not exceed the amounts set out in *point C of Annex V* € for ~~each of the that~~ years ~~referred to in that Annex~~.
4. Complementary national direct payments shall be granted in accordance with objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.

Article 17a

Complementary national direct payments for Croatia

1. *Croatia may complement, subject to authorisation by the Commission, any of the support schemes listed in Annex I, where relevant.*
2. *The complementary amount which may be granted in a given year and for a given support scheme shall be limited by a specific financial envelope. This envelope shall be established as the difference between:*
 - (a) *the amount of direct support available per support scheme concerned after the full introduction of direct payments in accordance with Article 16a for the calendar year 2022*
 - and*
 - (b) *the amount of direct support available per support scheme concerned after the application of the schedule of increments in accordance with Article 16a in the year concerned.*

3. *The total amount of complementary national direct payments granted shall not be higher than the ceiling set out in point B of Annex Va for a corresponding calendar year.*
4. *Croatia may decide, on the basis of objective criteria and after authorisation by the Commission, on the amounts of complementary national aid to be granted.*
5. *The authorisation by the Commission under this Article shall specify the relevant support schemes and define the level up to which the complementary national direct payments may be paid.*

As regards complementary national direct payments intended to complement the voluntary coupled support referred to in Chapter 1 of Title IV, the authorisation shall also specify the specific types of farming or the specific agricultural sectors referred to in Article 38(2) to which the complementary national direct payments may relate.

The authorisation shall be given by means of an implementing act adopted without applying the procedure referred to in Article 56(2) or (3).

6. *The eligibility conditions for complementary national direct payments for Croatia shall be those for support under corresponding support schemes as laid down in this Regulation.*
7. *Complementary national direct payments for Croatia shall be subject to any adjustments which may be rendered necessary by developments in the Common Agricultural Policy. They shall be granted in accordance with objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.*

8. *Croatia shall submit a report providing information on the measures for the implementation of the complementary national direct payments before 30 June of the year following their implementation. The report shall cover at least the following:*
- (a) any changes in the situation affecting the complementary national direct payments;*
 - (b) for each complementary national direct payment, the numbers of beneficiaries, the total amount of complementary national aid granted, as well as the hectares, the number of animals or other units for which the aid has been granted;*
 - (c) a report on control measures applied in relation to the complementary national direct payments granted.*

Article 17b

Special national de-mining reserve for Croatia

1. *From 2015 onwards, Croatia shall notify the Commission no later than 31 January every year of the areas which have been identified in accordance with Article 57a(10) of Regulation (EC) No 73/2009 and which were returned to use for agricultural activities in the previous calendar year.*

Croatia shall also notify the number of payment entitlements available to farmers on 31 December of the previous calendar year, as well as the amount remained unspent in the special national de-mining reserve at the same date.

Where applicable, the notifications provided in the first and second sub-paragraphs shall be made per region as defined in accordance with Article 20(1).

2. *The Commission shall calculate on a yearly basis the amount to be added to the amounts set for Croatia in Annex II, when reviewing that Annex pursuant to Article 6(2), in order to finance the support to be granted under the schemes listed in Annex I for the areas referred to in the first sub-paragraph of paragraph 1 of this Article. This amount shall be calculated on the basis of the data notified by Croatia in accordance with paragraph 1 and the estimated average direct payments per hectare in Croatia for the year concerned.*

The maximum amount to be added in accordance with the first sub-paragraph, on the basis of all the areas notified by Croatia in accordance with paragraph 1 of this Article until 2022, shall be EUR 9 600 000 and shall be subject to the schedule of introduction of direct payments in accordance with Article 16a, as set out in Annex Vb.

3. *The Commission shall, by means of implementing acts, set the share of the amount to be added in accordance with paragraph 2 which Croatia shall include in the special national de-mining reserve in order to allocate payment entitlements for the areas referred to in the first sub-paragraph of paragraph 1. This share shall be calculated on the basis of the ratio between the basic payment ceiling and the amount set in Annex II before its increase in accordance with paragraph 2. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).*
4. *For the years 2015 to 2022, Croatia shall use the special national de-mining reserve to allocate payment entitlements to farmers on the basis of de-mined land declared by the farmers in the year in question under the following conditions:*
 - (a) *such land is eligible within the meaning of Article 25(2),*
 - (b) *the land in question was returned to use for agricultural activities during the previous calendar year,*
 - (c) *the land has been notified to the Commission in accordance with paragraph 1 of this Article.*

5. *The value of the payment entitlements established under this Article shall be the national or regional average value of payment entitlements in the year of allocation within the limits of the amount available in the special national de-mining reserve.*
6. *In order to take account of the consequences of the return of de-mined land to use for agricultural activities as notified by Croatia in accordance with of this Article, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 adapting the amounts set out in Annex Va.*

TITLE III

BASIC PAYMENT SCHEME, *SINGLE AREA PAYMENT SCHEME* AND RELATED PAYMENTS

CHAPTER 1

Basic payment scheme *and single area payment scheme*

Section 1

Setting up of the basic payment scheme

Article 18

Payment entitlements

1. Support under the basic payment scheme shall be available to farmers:
 - (a) *who ~~if they~~ obtain payment entitlements under this Regulation through **allocation pursuant to Article 17b(4)**, first allocation pursuant to Article 21 **or Article 28e**, from the national reserve pursuant to Article 23 or by transfer pursuant to Article 27,*

or

(b) who comply with Article 21(1) and hold payment entitlements in a Member State which has decided, in accordance with paragraph 3, to keep its existing payment entitlements.

2. Payment entitlements obtained under the single payment scheme in accordance with Regulation (EC) No 1782/2003 and with Regulation (EC) No 73/2009 shall expire on 31 December ~~2013~~ 2014.
3. *By way of derogation from paragraph 2, and without prejudice to Article 21(2a), Member States which established the single payment scheme in accordance with Section I of Chapter 5 of Title III or Chapter 6 of Title III of Regulation (EC) No 1782/2003 or Chapter 3 of Title III of Regulation (EC) No 73/2009 may, by 1 August 2014, decide to maintain the payment entitlements.*

Article 19

Basic payment scheme ceiling

1. The Commission shall, by means of implementing acts, set, *for each Member State*, the annual national ceiling for the basic payment scheme by deducting from the annual national ceiling ~~established~~ *set out* in Annex II the annual amounts to be set in accordance with Articles ~~28b~~, 33, 35, 37 and 39. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

The amount calculated in accordance with the first sub-paragraph may be increased by a percentage of maximum 3% of the annual ceiling as set out in Annex II after deduction of the amount resulting from the application of the percentage set in Article 33(1) for the relevant year. When a Member State makes use of this option, such increase shall be taken into account by the Commission when setting the annual national ceiling for the basic payment scheme pursuant to the first sub-paragraph. For this purpose, Member States shall notify the Commission by 1 August 2014 of the annual percentages by which the amount calculated pursuant to the first sub-paragraph is to be increased.

Member States may review their decision referred to in the second sub-paragraph on an annual basis and notify the Commission of any such review by 1 August of the preceding year.

2. For each Member State and each year, the total value of all **allocated** payment entitlements and the national reserve shall equal the respective national ceiling adopted by the Commission pursuant to paragraph 1.
3. ~~In case of modification of~~ *If the ceiling adopted by the Commission pursuant to paragraph 1 as compared to is different from that of the previous year as a result of the decisions taken by the Member States in accordance with the last sub-paragraph of this Article, the last sub-paragraph of Article 14(1), and/or Articles 28(a)(1), 35(1), 37(1), 39(1) and (4), a Member State shall linearly reduce or increase the value of all payment entitlements in order to ensure compliance with paragraph 2.*

~~The first subparagraph shall not apply where such a modification is due to the application of Article 17b(2).~~

Article 20

Regional allocation of the national ceilings

1. Member States may decide, *by 31 July before 1 August 2013 2014*, to apply the basic payment scheme at regional level. In that case they shall define the regions in accordance with objective and non-discriminatory criteria such as their agronomic and economic characteristics and their regional agricultural potential, or their institutional or administrative structure.

1a. By way of derogation from the first sentence of the previous sub-paragraph, Member States applying Article 28c may decide, by 31 July of the year prior to the first year of implementation of Article 28d, to apply the basic payment scheme at regional level.

2. Member States shall divide the national ceiling referred to in Article 19(1) between the regions in accordance with objective and non-discriminatory criteria.

By way of derogation from the first sub-paragraph of this paragraph, Member States not applying Article 23(2) shall divide the national ceiling referred to in Article 19(1), after application of the linear reduction provided for in Article 23(1), between the regions in accordance with objective and non-discriminatory criteria.

3. Member States may decide that the regional ceilings shall be subject to annual progressive modifications in accordance with pre-established annual steps and objective and non-discriminatory criteria such as the agricultural potential or environmental criteria.

4. To the extent necessary to respect the applicable regional ceilings determined in accordance with paragraph 2 or 3, Member States shall make a linear reduction or increase in the value of the payment entitlements in each of their *relevant* regions.

4a. Any Member State applying paragraph 1 may decide to cease the application of the basic payment scheme at regional level from a date to be set by that Member State.

5. ~~The~~ Member States shall, *where relevant*, notify the Commission by 1 August ~~2013-2014~~ of the decision referred to in paragraph 1, ~~together with and of~~ the measures taken for the application of paragraphs 2 and 3. *Member States applying Article 28c shall, where relevant, notify the Commission by 1 August of the relevant year of the decision referred to in paragraph 1a and of the measures taken for the application of paragraphs 2 and 3.*

Member States shall, where relevant, notify the Commission of the decision referred to in paragraph 4a by 1 August of the year prior to the first year of implementation of that decision.

Article 21

First allocation of payment entitlements

1. ~~Subject to paragraph 2, P~~payment entitlements shall be allocated to farmers *entitled to be granted direct payments in accordance with Article 9* if they apply for allocation of payment entitlements under the basic payment scheme by ~~15 May 2014~~ *the date in 2015 to be set in accordance with point (d) of Article 78 of Regulation (EU) No [...] [HRZ]* except in case of *force majeure or and* exceptional circumstances, *provided they lodged an admissible aid application for direct payments or transitional national aid or complementary national direct payments, or, in the case of Cyprus, state aid, in accordance with Regulation (EC) No 73/2009 in 2013.*

In addition, Member States may allocate payment entitlements to:

~~2. Farmers who, in 2011 or in the case of Croatia in 2013, activated at least one payment entitlement under the single payment scheme or claimed support under the single area payment scheme, both in accordance with Regulation (EC) No 73/2009, shall receive payment entitlements the first year of application of the basic payment scheme provided they are entitled to be granted direct payments in accordance with Article 9.~~

~~By way of derogation from the first sub-paragraph, farmers shall receive payment entitlements the first year of application of the basic payment scheme provided they are entitled to be granted direct payments in accordance with Article 9 and that in 2011:~~

~~(a) Farmers who, in 2013, did not lodge an admissible aid application as referred to in the previous sub-paragraph and who, by the date fixed by the Member State according to Article 11(2) of Regulation (EC) No 1122/2009 for the claim year 2013:~~

~~2(a i) in Member States applying under the single payment scheme, they did not activate any entitlement but produced exclusively fruits, vegetables, ware potatoes, seed potatoes, ornamental plants, if so decided by the Member State concerned on a minimum area expressed in hectares, and/or cultivated exclusively vineyards; or~~

~~(bii) in Member States applying under the single area payment scheme, they did not claim any support and had only agricultural land that was not in good agricultural conditions on 30 June 2003 as provided for in Article 124(1) of Regulation (EC) No 73/2009; or~~

~~(b) farmers who, in 2014, were allocated payment entitlements from the national reserve under the single payment scheme pursuant to Article 41 or 57 of Regulation (EC) No 73/2009; or~~

(c) farmers who never held payment entitlements established under Regulation (EC) No 73/2009 or 1782/2003 and who submit verifiable evidence that by the date fixed by the Member State according to Article 11(2) of Regulation (EC) No 1122/2009 for the claim year 2013, they produced, reared or grew agricultural products, including harvesting, milking, breeding animals and keeping animals for farming purposes. Member States may add their own objective and non-discriminative eligibility criteria for this category of farmers as regards appropriate skills, experience and/or education.

2. Except in the case of *force majeure* or exceptional circumstances, the number of payment entitlements allocated per farmer *in 2015* shall be equal to the number of eligible hectares, ~~within the meaning of Article 25(2) which~~ the farmer declares in *his aid application in* accordance with Article ~~26 73~~(1)(a) of Regulation (EU) No [...] [HZR] for ~~2014~~ 2015 and which are at his disposal on a date fixed by the Member State which shall be no later than the date fixed in that Member State for amending such aid application.

Member States may however apply one or more of the following limitations upon the number of payment entitlements to be allocated:

[By way of derogation from the first sub-paragraph, a Member State may decide that the number of payment entitlements shall be equal to the number of eligible hectares which the farmer declared in accordance with Article 34(2) of Regulation (EC) No 73/2009 in 2013.]

(a) Where the total number of eligible hectares referred to in the first sub-paragraph declared in a Member State entails an increase of more than 35% of the total number of eligible hectares declared in accordance with Article 35 of Regulation (EC) No 73/2009 in 2009, or in the case of Croatia in 2013, Member States may limit the number of payment entitlements to be allocated in 2015 to either 135% or 145% of the total number of hectares declared in 2009, or in the case of Croatia the total number of eligible hectares declared in 2013, in accordance with Article 35 of Regulation (EC) No 73/2009.

When using this option, Member States shall allocate a reduced number of payment entitlements to farmers that shall be calculated by applying a proportional reduction to the additional number of eligible hectares declared by each farmer in 2015 compared to the number of eligible hectares within the meaning of Article 34(2) of Regulation (EC) No 73/2009 he indicated in his aid application in 2011, or in the case of Croatia in 2013, without prejudice to the demined hectares for which payment entitlements are to be allocated in accordance with Article 17(b)(4).

(b) A Member State may decide to apply, for the purposes of establishing a number of payment entitlements a farmer shall receive, a reduction coefficient to those eligible hectares referred to in the first sub-paragraph which consist of permanent grassland located in areas with difficult climate conditions, especially due to the altitude and other natural constraints like poor soil quality, steepness and water supply.

(c) A Member State may decide that the number of payment entitlements to be allocated to the farmer shall be equal to the number of eligible hectares referred to in the first sub-paragraph which were not hectares of vineyards by the date fixed by the Member State according to Article 11(2) of Regulation (EC) No 1122/2009 for the claim year 2013 or hectares of arable land under permanent greenhouses.

- 2a. In Member States applying Article 18(3), when the number of payment entitlements established in accordance with Regulation (EC) No 1782/2003 and with Regulation (EC) No 73/2009 which a farmer holds on the date to be set in accordance with point (d) of Article 78 of Regulation (EU) No [...] [HZR] exceeds the number of eligible hectares referred to in the first sub-paragraph which the farmer declares in 2015, the number of payment entitlements exceeding the number of eligible hectares shall expire at that date.**
3. In case of sale or lease of their holding or part of it, natural or legal persons complying with paragraph ~~21~~ may, by contract signed before ~~15 May 2014~~ **the date in 2015 to be set in accordance with point (d) of Article 78 of Regulation (EU) No [...] [HRZ]**, transfer the right to receive payment entitlements as referred to in paragraph 1 to ~~only~~ **one or more** farmers provided that the latter complies with the conditions laid down in Article 9.
- 3a. A Member State may decide to fix a minimum size per holding, expressed in eligible hectares, for which the establishment of payment entitlements may be requested. That minimum size shall not be higher than the thresholds set out in point (b) of the first sub-paragraph of Article 10(1) in conjunction with the second sub-paragraph of that Article.**
4. The Commission shall, by means of implementing acts, adopt rules on applications for allocation of payment entitlements submitted in the year of allocation of payment entitlements where those payment entitlements may not be definitively established yet and where that allocation is affected by specific circumstances. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 22

Value of payment entitlements and convergence

[to be completed at a later stage]

Section 2

National reserve

Article 23

Establishment and use of the national reserve

1. Each Member State shall establish a national reserve. For that purpose, in the first year of application of the basic payment scheme, Member States shall proceed to a linear percentage reduction of the basic payment scheme ceiling at national level in order to constitute the national reserve. ~~This reduction shall not be higher than 3% except, if required, to cover the allocation needs laid down in paragraph 4 for the year 2014.~~

2. *By way of derogation from paragraph 1, Member States applying Article 20 may ~~administer the national reserve at regional level~~ establish regional reserves. For that purpose, in the first year of application of the basic payment scheme, Member States shall proceed to a linear percentage reduction of the basic payment scheme ceiling at regional level in accordance with Article 20(2) in order to constitute the regional reserve.*

- 2a. *The reduction referred to in paragraphs 1 and 2 shall not be higher than 3% except, if required, to cover the allocation needs laid down in paragraph 4 and/or point (a) of paragraph 5 for the year 2015 or, for Member States applying Article 28c, for the first year of implementation of Article 28d.*

3. Member States shall ~~establish~~ *allocate* payment entitlements from the national *or regional* reserve in accordance with objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.

3a. *Payment entitlements referred to in paragraph 3 shall only be allocated to farmers provided they are entitled to be granted direct payments in accordance with Article 9.*

4. Member States shall use the national *or regional* reserve to allocate payment entitlements, as a matter of priority, to young farmers *and to farmers* who commence their agricultural activity.

~~For the purposes of the first subparagraph, ‘young farmers who commence their agricultural activity’ means farmers fulfilling the conditions laid down in Article 36(2) that did not have any agricultural activity in their own name and at their own risk or did not have the control of a legal person exercising an agricultural activity in the 5 years preceding the start of the new agricultural activity. In case of a legal person, the natural person(s) who has the control of the legal person must not have had any agricultural activity in his own name and at his own risk or must not have had the control of a legal person exercising an agricultural activity in the 5 years preceding the start of the agricultural activity by the legal person.~~

5. Member States may use the national *or regional* reserve to:

(a) allocate payment entitlements to farmers ~~in areas subject to restructuring and/or development programmes relating to a form of public intervention~~ in order to prevent land from being abandoned, *including in areas subject to restructuring and/or development programmes relating to a form of public intervention*, and/or to compensate farmers for specific disadvantages ~~in those areas~~;

[(aa) allocate payment entitlements to farmers who were prevented from being allocated payment entitlements under this Chapter as a result of force majeure or exceptional circumstances;]

[(ab) grant farmers, on an annual basis, compensation – which may be increased by an additional payment for small farmers – for the removal of the EUR 5000 allowance provided for in Article 7(1) of Regulation (EC) No 73/2009;]

(ac) in Member States applying Article 18(3), allocate payment entitlements to farmers whose number of eligible hectares were declared in 2015 in accordance with Article 73(1)(a) of Regulation (EU) No... [HRZ] and which are at their disposal on a date fixed by the Member State which shall be no later than the date fixed in that Member State for amending such aid application is higher than the number of payment entitlements established in accordance with Regulation (EC) No 1782/2003 and with Regulation (EC) No 73/2009 they hold on the date to be set in accordance with point (d) of Article 78 of Regulation (EU) No [...] [HZR].

(b) linearly increase *on a permanent basis* the value of *all* payment entitlements under the basic payment scheme at national or regional level if the national *or regional* reserve exceeds **0,53** % in any given year, provided that sufficient amounts remain available for allocations under paragraph 4, under point (a) of this paragraph and under paragraph 7;

(c) *cover the yearly needs according to Article 37(2) and Article 51(1). For the purpose of this paragraph, Member States shall decide on the priorities between the different uses referred to herein.*

6. When applying paragraph 4, and *points (a) and (ac) of* paragraph 5(~~a~~), Member States shall establish the value of payment entitlements allocated to farmers on the basis of the national or regional average value of payment entitlements in the year of allocation.

The national or regional average shall be calculated by dividing the national or regional ceiling as set out in accordance with Article 19(1) or Article 20(2) of this Regulation for the year of allocation, excluding the amount of the national or regional reserve, by the number of allocated payment entitlements.

Member States shall fix the steps for annual progressive modifications of the value of payment entitlements allocated from the national or regional reserve taking account of the modifications of the ceilings for the basic payment scheme as referred to in Articles 19(1) and 20(2) that result from the variations in the level of the national ceilings fixed under Annex II.

7. Where a farmer is entitled to receive payment entitlements or increase the value of the existing ones by virtue of a definitive court's ruling or by virtue of a definitive administrative act of the competent authority of a Member State, the farmer shall receive the number and value of payment entitlements established in that ruling or act at a date to be fixed by the Member State. However, this date shall not be later than the latest date for lodging an application under the basic payment scheme following the date of the court's ruling or the administrative act, taking into account the application of Articles 25 and 26.
8. *When applying paragraphs 4, point (a) of 5 and 7, Member States may either allocate new entitlements or increase the unit value of all existing entitlements of a farmer, up to the value of the National or Regional average.*
9. *For the purposes of this Article, the following definitions shall apply:*
 - (a) *'young farmers' means farmers fulfilling the conditions laid down in Article 36(2) and, where relevant, the conditions referred to in Article 36(7).*

(b) *'farmers who commence their agricultural activity'* means a natural or legal person that did not have any agricultural activity in his own name and at his own risk or did not have the control of a legal person exercising an agricultural activity in the 5 years preceding the start of the agricultural activity. In case of a legal person, the natural person(s) who has the control of the legal person must not have had any agricultural activity in his own name and at his own risk or must not have had the control of a legal person exercising an agricultural activity in the 5 years preceding the start of the agricultural activity by the legal person.

As regards farmers covered by this point, Member States may add their own objective and non-discriminative eligibility criteria as regards appropriate skills, experience and/or education.

Article 24

Replenishment of the national reserve

1. The national *or regional* reserve ~~shall be~~ *is* replenished by amounts resulting from:
 - (a) payment entitlements not giving right to payments during two consecutive years due to the application of:
 - (i) Article 9;
 - (ii) Article 10(1)
 - (iii) *Article 11(3)*.
 - (b) ~~any a number of~~ payment entitlements *equivalent to the total number of payment entitlements* which ~~has~~ *have* not been activated *by a farmer* in accordance with Article 25 for a period of two *consecutive* years, except in the case of *force majeure* or exceptional circumstances. *For the purpose of establishing the entitlements held by a farmer that shall be reverted to the national or regional reserve, the entitlements having the lowest value shall be given priority;*

- (c) payment entitlements voluntarily reverted by farmers;
- (d) the application of Article 22(4);
- (e) *unduly allocated payment entitlements in accordance with Article 65 of Regulation (EU) No [...] [HZR].*
- (f) *a linear reduction of the value of payment entitlements under the basic payment scheme at national or regional level where the national or regional reserve is not sufficient to cover the cases referred to in Article 23(7);*
- (g) *the application of Article 27(2a).*

2. The Commission shall, by means of implementing acts, adopt necessary measures regarding the reversion of non-activated payment entitlements to the national *or regional* reserve. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Section 3

Implementation of the basic payment scheme

Article 25

Activation of payment entitlements

1. Support under the basic payment scheme shall be granted to farmers upon activation, by means of declaration in accordance with Article 26(1), of a payment entitlement per eligible hectare in the Member State where it has been allocated. Activated payment entitlements shall give a right to the annual payment of the amounts fixed therein, without prejudice to the application of financial discipline, progressive reduction and capping, linear reductions in accordance with Article 7, *Article 37(2)* and *Article 51(1)*, and *to the application of Article 65 of any reductions and exclusions imposed pursuant to* Regulation (EU) No [...] [HZR].

2. For the purposes of this Title, 'eligible hectare' shall mean:
- (a) any agricultural area of the holding that is used for an agricultural activity or, where the area is used as well for non-agricultural activities, predominantly used for agricultural activities ***including areas that were not in good agricultural condition on 30 June 2003 in Member States acceding to the Union on 1 May 2004 that opted upon accession to apply the single area payment scheme***; or
 - (b) any area which gave a right to payments in 2008 under the single payment scheme or the single area payment scheme laid down, respectively, in Titles III and ~~in Chapter 2 of Title IV a~~ ~~of Regulation (EC) No 73/2009-1782/2003~~, and which:
 - (i) no longer complies with the definition of 'eligible ***hectare***' under point (a) as a result of the implementation of Directive 92/43/EEC, Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy¹ and Directive 2009/147/EC; or
 - (ii) for the duration of the relevant commitment by the individual farmer, is afforested pursuant to Article 31 of Regulation (EC) No 1257/1999 or to Article 43 of Regulation (EC) No 1698/2005 ***or to Article 23 of Regulation (EU) No [...] [RDR]*** or under a national scheme the conditions of which comply with Article 43(1), (2) and (3) of Regulation (EC) No 1698/2005 ***or and*** Article 23 of Regulation (EU) No [...] [RDR]; or
 - (iii) for the duration of the relevant commitment of the individual farmer, is set aside pursuant to Articles 22, 23 and 24 of Regulation (EC) No 1257/1999 or to Article 39 of Regulation (EC) No 1698/2005 and Article 29 of Regulation (EU) No [...] [RDR].

¹ OJ L 327, 22.12.2000, p. 1.

For the purposes of point (a) of the first sub-paragraph,

- (i) where an agricultural area of a holding is also used for non-agricultural activities, that area shall be considered to be used predominantly for agricultural activities provided that those agricultural activities can be exercised without being significantly hampered by the intensity, nature, duration and timing of the non-agricultural activities.
- (ii) ***Member States may draw up a list with areas which are predominantly used for non agricultural activities.***

Member States shall establish criteria for the implementation of ~~this~~ ***the previous*** sub-paragraph on their territory.

In order to be eligible, areas must comply with the definition of eligible hectare throughout the calendar year, except in the case of *force majeure* or exceptional circumstances.

For the purposes of determining ‘eligible hectare’, Member States deciding to include hectares of permanent grassland where grasses and other herbaceous forage are traditionally not predominant in grazing areas, as referred to in Article 4(1)(h), may apply a reduction coefficient to convert those hectares into ‘eligible hectares’.

3. Areas used for the production of hemp shall only be eligible hectares if the varieties used have a tetrahydrocannabinol content not exceeding 0,2 %.

Article 26

Declaration of eligible hectares

1. For the purposes of ~~Article 25(1)~~ ***the activation of payment entitlements provided for in Article 25 (1)***, the farmer shall declare the parcels corresponding to the eligible hectares accompanying any payment entitlement. Except in the case of *force majeure* or exceptional circumstances, those parcels shall be at the farmer's disposal on a date fixed by the Member State which shall be no later than the date fixed in that Member State for amending the aid application as referred to in Article 73(1) of Regulation (EU) No [...] [HZR].
2. Member States may, in duly justified circumstances, authorise the farmer to modify his declaration provided that he maintains at least the number of hectares corresponding to his payment entitlements and respects the conditions for granting the basic payment for the area concerned.

Article 27

Transfer of payment entitlements

1. Payment entitlements may be transferred only to a farmer ***entitled to be granted direct payments in accordance with Article 9*** established within the same Member State, except in the case of transfer by actual or anticipated inheritance.

However, even in the case of actual or anticipated inheritance, payment entitlements may be ~~used~~ ***activated*** only in the Member State where the payment entitlements were ~~established~~ ***allocated***.

2. *In the case of application of Article 20(1), ~~P~~payment entitlements may be transferred or activated only within the same region ~~or between regions of a Member State where the value of payment entitlements per hectare resulting from the application of either Article 22(1) or Article 22(2) are the same~~, except in the case of actual or anticipated inheritance. However, even in the case of actual or anticipated inheritance, payment entitlements may be activated only in the region where the payment entitlements were allocated.*

2aa. *Member States not applying Article 20(1) may decide that payment entitlements may be transferred or activated only within one and the same region, except in case of actual or anticipated inheritance.*

Such regions shall be defined at the appropriate territorial level in accordance with objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.

2a. *Where payment entitlements are transferred without land, Member States may, acting in compliance with the general principles of Union law, decide that part of the payment entitlements transferred revert to the national or regional reserve or that their unit value is reduced in favour of the national or regional reserve. Such reduction may be applied to one or more of the types of transfer as referred to under Article 4(1)(n).*

3. The Commission shall, by means of implementing acts, ~~adopt lay down necessary requirements related to the modalities of~~ the notification of transfer of payment entitlements *which farmers have to make* to the national authorities and the deadlines within which such notification is to take place. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 28

Delegated powers

In order to ensure legal certainty and to clarify the specific situations that may arise in the application of the basic payment scheme, ~~the~~ The Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning:

- (a) rules on eligibility and the access in respect of the basic payment scheme of farmers, in case of inheritance and anticipated inheritance, inheritance under a lease, change of legal status or denomination, *transfer of payment entitlements* and in the case of merger or scission of the holding *and in case of application of the contract clause referred to in Article 21(3)*;
- (b) rules on the calculation of the value and number or on the increase or reduction in the value of payment entitlements in relation to the allocation of payment entitlements under any provision of this Title, including rules:
 - (i) on the possibility of a provisional value and number or of a provisional increase of payment entitlements allocated on the basis of the application from the farmer,
 - (ii) on the conditions for establishing the provisional and definitive value and number of the payment entitlements,
 - (iii) on the cases where a sale or lease contract could affect the allocation of payment entitlements.
- (c) rules on the establishment and calculation of the value and number of payment entitlements received from the national reserve;
- (d) rules on the modification of the unit value of payment entitlements in the case of fractions of payment entitlements and in the case of *transfer of payment entitlements, referred to in Article 27(2a)*;

- (e) *[criteria for applying options under points a), b) and c) of Article 21(1);]*
- (ea) *[criteria for applying limitations upon the number of payment entitlements to be allocated referred to in Article 21(2);]*
- (f) criteria for the allocation of payment entitlements pursuant to in Article 23(4) and (5);
- (g) rules on the *content of the* declaration and *the requirements for the* activation of payment entitlements;
- (ga) *criteria for setting the reduction coefficient referred to in fifth sub-paragraph of Article 25(2);*
- (h) rules making the granting of payments conditional upon the use of certified seeds of certain hemp varieties and laying down the procedure for the determination of hemp varieties and the verification of their tetrahydrocannabinol content referred to in Article 25(3);

CHAPTER 1a
REDISTRIBUTIVE PAYMENT

Article 28a
General rules

1. *Member States may decide by 1 August of any given year to grant as from the following year an annual payment to farmers who are entitled to a payment under the basic payment scheme referred to in Chapter 1 or under the single area payment scheme referred to in Section 4.*

Member States shall notify the Commission of their decision by the date referred to in the first sub-paragraph.

2. *Member States which have decided to apply the basic payment scheme at regional level in accordance with Article 20 may apply the payment referred to in this Chapter at regional level.*
3. *Without prejudice to the application of financial discipline, progressive reduction and capping, linear reductions as referred in Article 7, and the application of Article 65 of Regulation (EU) No [...] [HZR], the payment referred to in paragraph 1 of this Article shall be granted annually upon activation of payment entitlements by the farmer, or upon declaration of eligible hectares by the farmer under the single area payment scheme.*
4. *The payment referred to in paragraph 1 shall be calculated each year by Member States by multiplying a figure to be set by the Member State which shall not be higher than 65 % of the national or regional average payment per hectare by the number of payment entitlements that the farmer has activated in accordance with Article 26(1), or by the number of eligible hectares declared by the farmer under the single area payment scheme. The number of such payment entitlements or hectares shall not be higher than 30 hectares or the average size of agricultural holdings as set out in Annex VI if that average size is higher than 30 hectares in the Member State concerned.*

Provided the maximum limits set out in the first sub-paragraph are respected, Member States may, at national level, establish a graduation within the number of hectares set in accordance with that sub-paragraph, which shall apply identically to all farmers.

The national average payment per hectare referred to in the first sub-paragraph shall be established by the Member States on the basis of the national ceiling set in Annex II for calendar year 2019 and the number of eligible hectares declared in accordance with Article 26 or under the single area payment scheme in 2015.

The regional average payment per hectare referred to in the first sub-paragraph shall be established by the Member States by using a share of the national ceiling set in Annex II for calendar year 2019 and the number of eligible hectares declared in the concerned region in accordance with Article 26 in 2015. For each region, this share shall be calculated by dividing the respective ceiling as established in accordance with Article 20(2) by the ceiling determined according to Article 19(1), after application of the linear reduction provided for in Article 23(1) in case Article 23(2) is not applied.

5. *Member States shall ensure that no payment is made to farmers for whom it is established that, as from 19 October 2011, they divide their holding with the sole purpose of benefiting from the redistributive payment. This shall also apply to farmers whose holdings result from that division.*

Article 28b

Financial provisions

1. *In order to finance the payment referred to in this Chapter, Member States may use up to 30 % of the annual national ceiling set out in Annex II.*
2. *On the basis of the percentage of the national ceiling to be used by Member States pursuant to paragraph 1, the Commission shall, by means of implementing acts, fix the corresponding ceilings for that payment on a yearly basis. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).*

SECTION 4
SINGLE AREA PAYMENT SCHEME

Article 28c

Single area payment scheme

- 1. Member States applying in the year 2014 the single area payment scheme laid down in Chapter 2 of Title V of Regulation (EC) No 73/2009 may under the conditions set out in this Regulation continue the application of that scheme until 31 December 2020 at the latest. They shall notify to the Commission by [1 August 2014] their decision and the end date of such application.**

During the period of application of the single area payment scheme, sections 1, 2 and, with the exception of Article 25(2) and Article 25(3), section 3 of this Chapter shall not apply to these Member States.

- 1a. The single area payment shall be granted on an annual basis for each eligible hectare declared by the farmer in accordance with Article 73(1)(a) of Regulation (EU) No [...] [HZR]. It shall be calculated each year by dividing the annual financial envelope established in accordance with paragraph 2 of this Article by the total number of eligible hectares declared in the respective Member State in accordance with Article 73(1)(a) of Regulation (EU) No [...] [HZR].**
- 1b. By way of derogation of paragraph 1a, Member States that decide to apply Article 28d as from 1 January 2018 at the latest may use, for the period during which they apply this Article, up to 20% of the annual financial envelope referred to in paragraph 1a to differentiate the single area payment per hectare.**

In order to differentiate the single area payment per hectare, Member States shall take into account the support granted pursuant to Article 68(1)(b), 68(1)(c), 126, 127 and 129 of Regulation (EC) No 73/2009 in the year 2014.

For Cyprus the aid may be differentiated taking into account the sector specific financial envelopes as set out in Annex XVIIa of Regulation (EC) No 73/2009 reduced by any aid granted to the same sector pursuant to Article 28ca.

- 2. For each Member State applying the single area payment scheme, the Commission shall, by means of implementing acts, set the annual national ceiling for the single area payment scheme by deducting from the annual national ceiling established in Annex II the annual amounts to be set in accordance with Articles 28b, 33, 35, 37 and 39. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).*

- 3. Except in the case of force majeure or exceptional circumstances, the hectares referred to in paragraph 1a shall be at the farmer's disposal on a date fixed by the Member State which shall be no later than the date fixed in that Member State for amendment of the aid application as referred to in Article 73(1)(a) of Regulation (EU) No [...] [HZR].*

4. *The Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning rules on eligibility and the access in respect of the single area payment scheme of farmers.*

Article 28ca

Transitional National Aid

1. *The Member States applying the single area payment scheme according to Article 28c may decide to grant transitional national aid in 2015-2020.*
2. *The transitional national aid may be granted to farmers in sectors in respect of which this aid, or in the case of Bulgaria and Romania, Complementary National Direct Payments were granted in 2013.*
3. *The conditions for granting the aid shall be identical to those authorised for the granting of payments pursuant to Articles 132(7) or 133a of Regulation (EC) 73/2009 in respect of 2013, with exception of the reduction of the payments applied due to the modulation according to Article 7 and 10 of that Regulation.*
4. *The total amount of aid that may be granted to farmers in any of the sectors referred to in paragraph 2 shall be limited by the following percentage of the sectoral financial envelopes as authorised by the Commission according to Articles 132(7) or 133a(5) of Council Regulation 73/2009 in 2013:*
 - *[75]% in 2015*
 - *[70]% in 2016*
 - *[65]% in 2017*
 - *[60]% in 2018*
 - *[55]% in 2019*
 - *[50]% in 2020*

For Cyprus this percentage shall be calculated on the basis of the sector specific financial envelopes as set out in Annex XVIIa of Council Regulation (EC) 73/2009.

5. *Paragraphs 2 and 3 shall not apply to Cyprus.*
6. *Member State shall notify the decisions referred to in paragraph 1 to the Commission in the latest by 31 March each year. The notification shall include the following:*
 - (a) *the financial envelope per each sector*
 - (b) *the maximum rate of transitional national aid where appropriate.*
7. *Member States may decide, on the basis of objective criteria and within the limits pursuant to paragraph 4, on the amounts of transitional national aid to be granted.*

SECTION 5

IMPLEMENTATION OF THE BASIC PAYMENT SCHEME IN THE MEMBER STATES HAVING APPLIED THE SINGLE AREA PAYMENT SCHEME

Article 28d

Introduction of the basic payment scheme in the Member States having applied the single area payment scheme

Save as otherwise provided for in this section, this Title shall apply to the Member States having applied the single area payment scheme provided for in section 4 of this Chapter.

Article 21 and 22 shall not apply.

Article 28e

First allocation of payment entitlements

1. *Payment entitlements shall be allocated to farmers entitled to be granted direct payments in accordance with Article 9 if they apply for allocation of payment entitlements under the basic payment scheme by a date to be set in accordance with point (d) of Article 78 of Regulation (EU) No... [HZR] in the first year of implementation of the basic payment scheme, except in case of force majeure or exceptional circumstances. Entitlements shall be allocated to farmers who lodged an admissible aid application for direct payments, or transitional national aid or complementary national direct payments, or, in the case of Cyprus, state aid in accordance with Regulation (EC) No 73/2009 in 2013.*

In addition, Member States may allocate payment entitlements to farmers who, in 2013 did not lodge an admissible aid application as referred to in the previous sub-paragraph and, by the date fixed by the Member State according to Article 11(2) of Regulation (EC) No 1122/2009 for the claim year 2013, had only agricultural land that was not in good agricultural condition on the 30 June 2003 as provided for in Article 124(1) of Regulation (EC) No 73/2009.

2. *Except in the case of force majeure or exceptional circumstances, the number of payment entitlements allocated per farmer in the first year of implementation of the basic payment scheme shall be equal to the number of eligible hectares, which the farmer declares in his aid application in accordance with Article 73(1)(a) of Regulation (EU) No [...] [HZR] for the first year of application of the basic payment scheme and which are at his disposal on a date fixed by the Member State which shall be no later than the date fixed in that Member State for amending such aid application.*
3. *The Commission shall be empowered to adopt delegated acts in accordance with Article 55 for the purpose of laying down further rules on the introduction of the basic payment scheme in Member States having applied the single area payment scheme.*

4. *The Commission shall, by means of implementing acts, adopt rules on applications for allocation of payment entitlements submitted in the year of allocation of payment entitlements where those payment entitlements may not be definitively established yet and where that allocation is affected by specific circumstances.*

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 28f

Value of payment entitlements

[to be completed at a later stage]

CHAPTER 2

Payment for agricultural practises beneficial for the climate and the environment

Article 29

General rules

1. Farmers entitled to a payment under the basic payment scheme *or the single area payment scheme referred to in Chapter 1* shall observe on *all* their eligible hectares ~~as defined in~~ *within the meaning of* Article 25(2) the ~~following~~ agricultural practises beneficial for the climate and the environment *referred to in paragraph 1a or the equivalent practices referred to in paragraph 1b.*
- 1a. *The agricultural practices beneficial for the climate and the environment referred to in paragraph 1 shall be:*
- (a) ~~to have three different~~ *crops diversification on their arable land where the arable land of the farmer covers more than 3 hectares and is not entirely used for grass production (sown or natural), entirely left fallow or entirely cultivated with crops under water for a significant part of the year;*

- (b) ~~to~~ **maintaining** existing permanent grassland ~~on their holding~~; and
- (c) ~~to~~ **having** ecological focus area on their agricultural area.

1b. *The equivalent practices referred to in paragraph 1 shall be those which include similar practices that yield an equivalent or higher level of benefit for the climate and the environment compared to one or several of the practices referred to in paragraph 1a. These equivalent practices and the practice referred to in paragraph 1a to which they are equivalent are listed in Annex [X] and shall be covered by:*

- (a) commitments undertaken in accordance with either Article 39(2) of Regulation No 1698/2005 or Article 29(2) of Regulation (EU) No [...] [RDR].*
- (b) national or regional environmental certification schemes, including certification of compliance with national environmental legislation, going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No [...] [HZR], which aim to meet objectives relating to soil and water quality, biodiversity, landscape preservation, and climate change mitigation and adaptation. These certification schemes may include the practices listed in Annex [X], the practices referred to in paragraph 1a, or a combination of these.*

1c. *Member States may decide, where appropriate at regional level, to restrict the choice of the farmers to use the options referred to in paragraph 1b.*

1d. *Member States may decide, where appropriate at regional level, that farmers shall carry out all of their relevant obligations under paragraph 1 in accordance with national or regional certification schemes referred to in paragraph 1b(b).*

1da. *Subject to the decisions of the Member States referred to in paragraphs 1c and 1d, a farmer may use one (or more) of the practices referred to in point (a) of paragraph 1b only if these fully replace the related practices(s) referred to in paragraph 1a. A farmer may use certification schemes referred to in point (b) only if these cover the entire obligation referred to in paragraph 1.*

- 1e. Member States shall notify to the Commission their decisions referred to in the two previous paragraphs and the specific commitments or certification schemes which they intend to apply as equivalent practices in the meaning of paragraph 1b. The Commission shall assess whether the practices included in the specific commitments or certification schemes are covered by the list in Annex [X] and if it considers this not to be the case, notify the Member States accordingly by means of an implementing act without applying the procedure referred to in Article 56(2) or (3). The modalities and timetables for the submission of such notifications shall be fixed by the Commission by means of an implementing act to be adopted in accordance with the examination procedure referred to in Article 56(2). If the Commission notifies a Member State that practices are not covered by the list in Annex [X], then that Member State shall not apply the specific commitments or certification schemes concerned by the Commission notification as equivalent practices within the meaning of paragraph 1b.*
2. Without prejudice to paragraphs 3 and 4 *of this Article* and to the application of financial discipline, linear reductions in accordance with Article 7, and *the application of Article 65 of any reductions and penalties imposed pursuant to* Regulation (EU) No [...] [HZR], Member States shall grant the payment referred to in this Chapter to farmers observing those of the ~~three~~ practices referred to in paragraph 1 *of this Article* that are relevant for them, and in function of their compliance with Articles 30, 31 and 32.

This payment shall take the form of an annual payment per eligible hectare declared in accordance with Article 26(1) or, in Member States applying Article 28c, of an annual payment per eligible hectare declared under the single area payment scheme, the amount of which shall be calculated annually by dividing the amount resulting from the application of Article 33(1) by the total number of eligible hectares declared, in accordance with Article 26(1), in the Member State concerned or, in Member States applying Article 28c, by the total number of eligible hectares declared under the single area payment scheme.

[By way of derogation from the second sub-paragraph, Member States deciding to apply paragraph 2 and/or paragraph 5a of Article 22 may decide to grant the payment referred to in paragraph 1 of this Article as a percentage of the total value of the entitlements that the farmer has activated in accordance with Article 26(1) for each relevant year.

For each year and each Member State or region, the percentage referred to in the previous sub-paragraph shall be calculated by dividing the amount resulting from the application of Article 33, by the total value of all payment entitlements activated in accordance with Article 26(1) in that Member State or region.]

3. Farmers whose holdings are fully or partly situated in areas covered by Directives 92/43/EEC, **2000/60/EC**, or 2009/147/EC shall be entitled to the payment referred to in this Chapter provided that they observe the practises referred to in this Chapter to the extent that those practises are compatible in the holding concerned with the objectives of those Directives.
4. Farmers complying with the requirements laid down in Article 29(1) of Regulation (EC) No 834/2007 as regards organic farming shall be entitled *ipso facto* to the payment referred to in this Chapter.

As regards organic farming the first subparagraph shall apply only to the units of a holding that are used for organic production in accordance with Article 11 of Regulation (EC) No 834/2007.

- ~~5. The payment referred to in paragraph 1 shall take the form of an annual payment per eligible hectare declared according to Article 26(1) the amount of which shall be calculated annually by dividing the amount resulting from the application of Article 33(1) by the total number of eligible hectares declared in the Member State concerned according to Article 26.~~

6. *The Commission shall be empowered to adopt delegated acts in accordance with Article 55 in order to:*
- (a) add equivalent practices to the list set out in Annex [X];*
 - (b) establish appropriate requirements applicable to the national or regional certification schemes referred to in paragraph 1b(b) including the level of assurance to be provided by those schemes.*

The Commission shall, by means of implementing acts, establish rules on the procedure for the notifications and the Commission assessment referred to in paragraph 1c.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 30

Crop diversification

1. Where the arable land of the farmer covers ~~more than 3~~ *between 10 and 30* hectares, ~~and is not entirely used for grass production (sown or natural), entirely left fallow or entirely cultivated with crops under water for a significant part of the year, cultivation on the arable land and is not entirely cultivated with crops under water for a significant part of the year, there shall consist of be~~ at least ~~two~~ *three* different crops *on that arable land*. ~~None of those three crops shall cover less than 5 % of the arable land and t~~ The main crop shall not cover more than 75% of that ~~one shall not exceed 70 % of the~~ arable land.

Where the arable land of the farmer covers more than 30 hectares, there shall be at least three different crops on that arable land. The main crop shall not cover more than 75% of that arable land and the two main crops together shall not cover more than 95% of that arable land.

Without prejudice to the number of crops required pursuant to the first and the second sub-paragraph of paragraph 1, the maximum thresholds set therein shall not apply where grasses or other herbaceous forage as referred to in Article 4(i) or land laying fallow cover more than 75% of the arable land. In this case, the main crop on the remaining arable area shall not cover more than 75% of that arable land except in case this remaining area is covered by grasses or other herbaceous forage or land laying fallow.

1a. Paragraph 1 shall not apply to holdings:

- (a) where more than 75% of the arable land is used for the production of grasses or other herbaceous forage as referred to in Article 4(i), land laying fallow, or subject to a combination of these uses, provided the arable area not covered by these uses does not exceed 30 hectares;*
- (b) where more than 75% of the eligible agricultural area is permanent grassland, used for the production of grasses or other herbaceous forage as referred to in Article 4(i) or crops under water or a combination of these uses, provided the arable area not covered by these uses does not exceed 30 hectares;*
- (c) where more than 50% of the areas under arable land declared were not declared by the farmer in his aid application of the previous year and, where based on a comparison of the geo-spatial aid applications, all arable land is being cultivated with a different crop compared to that of the previous calendar year;*
- (d) that are situated in areas north of 62nd parallel or certain adjacent areas. Where the arable land of such holdings covers more than 10 hectares, there shall be at least two crops on the arable land. None of these crops shall cover more than 75% of the arable land with the exception of where the main crop is grass or other herbaceous forage as referred to in Article 4(i) or land laying fallow.*

- 1b. For the purposes of this Article, a "crop" shall mean a culture of any of the different genera defined in the botanical classification of crops or a culture of any of the species in the case of Brassicaceae, Solanaceae, and Cucurbitaceae, as well as a land laying fallow and grasses or other herbaceous forage as referred to in Article 4(i). However, winter crop and spring crop shall be considered to be distinct crops even if they belong to the same genus.*
2. The Commission shall be empowered to adopt delegated acts in accordance with Article 55 *for the purpose of:*
- (a) recognising other types of genera and species than those referred to in paragraph 1b of this Article; and*
 - (b) laying down ~~the definition of "crop" and~~ the rules concerning the application of the precise calculation of shares of different crops.*

Article 31

Permanent grassland

1. ~~Farmers~~ *Member States shall designate ~~maintain as~~ permanent grasslands which are environmentally sensitive in areas covered by Directives 92/43/EEC or 2009/147/EC and that need strict protection in order to meet the objectives of those Directives, including in peat and wetlands in these areas ~~the areas of their holdings declared as such in the application made pursuant to Article 74(1) of Regulation (EU) No XXX (HZ) for claim year 2014, hereinafter referred to as "reference areas under permanent grassland".~~*

The Member States may, in order to ensure protection of environmentally valuable permanent grasslands, decide to identify further sensitive areas situated outside areas covered by Directives 92/43/EEC or 2009/147/EC, including permanent grasslands on carbon rich soils.

Farmers shall not convert and not plough permanent grassland situated in areas designated by Member States under the first sub-paragraph and, where applicable, the second sub-paragraph.

The Commission shall be empowered to adopt delegated acts in accordance with Article 55 in order to define the framework within which the designations referred to in the second sub-paragraph shall be made.

~~The reference areas under permanent grassland shall be increased in cases where the farmer has an obligation to reconvert areas into permanent grassland in 2014 and/or in 2015 as referred to in Article 93 of Regulation (EU) No [...] HZR.~~

2. ~~Farmers shall be allowed to convert a maximum of 5 % of their reference areas under permanent grassland. That limit shall not apply in the case of force majeure or exceptional circumstances.~~

Member States shall ensure that the ratio of the land under permanent grassland as referred to in Article 4(1)(h) in relation to the total agricultural area declared by the farmers in accordance with Article 73(1) of Regulation (EU) No [...] [HZR] does not decrease by more than 5% compared to the reference ratio established pursuant to the following sub-paragraph. This obligation shall apply at [national, regional or appropriate sub-regional] level. [Member States may decide to apply an obligation to maintain permanent grassland at holding level in order to ensure that the permanent grassland ratio does not decrease by more than 5%.] Member States shall notify any such decision by 31 July 2014 to the Commission.

The reference ratio referred to in the previous sub-paragraph shall be established by Member States in 2015 by dividing land under permanent grassland as referred to in point (a) below by the total agricultural area as referred to in point (b) below:

- (a) the land under permanent grassland shall be the land under permanent pasture declared in 2012 or 2013 in the case of Croatia in accordance with Regulation (EC) No 73/2009 by the farmers subject to the obligations under this Chapter, plus the land under permanent grassland declared in 2015 in accordance with Article 73(1) of Regulation (EU) No [...] [HZR] by the farmers subject to the obligations under this Chapter that has not been declared as permanent pasture in 2012 or, in the case of Croatia, 2013;*
- (b) the total agricultural area shall be the agricultural area declared in 2015 in accordance with Article 73(1) of Regulation (EU) No [...] [HZR] by farmers subject to the obligations under this Chapter.*

The reference ratio under permanent grassland shall be recalculated in cases where farmers subject to the obligations under this Chapter have an obligation to reconvert area into permanent grassland in 2015 and/or in 2016 in accordance with Article 93 of Regulation (EU) No [...] [HZR] by adding these areas to the land under permanent grassland as referred to in point (a) of the second sub-paragraph.

The ratio referred to in the first sub-paragraph shall be established each year on the basis of the areas declared by the farmers subject to the obligations under this Chapter for the year concerned in accordance with Article 73(1) of Regulation (EU) No [...] [HZR].

Member States shall notify the reference ratio and the ratio referred to in the first sub-paragraph to the Commission.

- 2a. Where it is established that the ratio referred to in paragraph 2 has decreased by more than 5% at regional or sub-regional level or where applicable at national level, the Member State concerned shall provide for obligations at the level of the individual farmer to reconvert land into land under permanent grassland for those farmers who have land at their disposal which was converted from land under permanent pasture or permanent grassland into land for other uses during a period in the past to be defined by means of a delegated act in accordance with Article 55.*

However, where the amount of land under permanent grassland in absolute terms established in accordance with point (a) of the second sub-paragraph of paragraph 2 is maintained within certain limits to be defined by the Commission by means of implementing acts, the obligation set out in the first sub-paragraph of paragraph 2 shall be considered as being complied with.

- 2b. *Paragraph 2a shall not apply where the decrease below the threshold results from afforestation, provided such afforestation is compatible with the environment and does not include plantations of short rotation coppice, Christmas trees or fast growing trees for energy production.*
3. *In order to ensure that the ratio of permanent grassland is maintained, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 laying down detailed rules on maintenance of ~~concerning the increase of reference areas under~~ permanent grassland, including rules on reconversion in case of non-respect of the obligation in paragraph 1, rules applying to Member States for setting up obligations at farm level for maintaining permanent grassland as referred to in paragraphs 2 and 2a and any adjustment of the reference ratio referred to in paragraph 2 that may become necessary.*
~~as laid down in the second sub-paragraph of paragraph 1, the renewal of permanent grassland, the reconversion of agricultural area into permanent grassland in case the authorised decrease referred to in paragraph 2 is exceeded, as well as the modification of the reference areas under permanent grassland in case of transfer of land.~~
4. *The Commission shall be empowered to adopt delegated acts in accordance with Article 55 to establish detailed methods for the determination of the ratio of permanent grassland and of the total agricultural area that has to be maintained pursuant to paragraph 2.*

Article 32

[to be completed at a later stage]

Article 33

Financial provisions

1. In order to finance the payment referred to in this Chapter, Member States shall use 30 % of the annual national ceiling set out in Annex II.
2. Member States shall apply the payment referred to in this Chapter at national *level*.

~~or, w~~When applying Article 20, *Member States may decide to apply the payment* at regional level. In *such* case, ~~of application at regional level, Member States they~~ shall use in each region a share of the ceiling set pursuant to paragraph 3. For each region, this share shall be calculated by dividing the respective regional ceiling as established in accordance with Article 20(2) by the ceiling determined *in accordance with* ~~to~~ Article 19(1), *after deduction of the national reserve in case Article 23(2) is not applied*.

3. The Commission shall, by means of implementing acts, set out the corresponding ceiling for the payment referred to in this Chapter on a yearly basis. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

CHAPTER 3

Payment for areas with natural constraints

Article 34

General rules

1. Member States may grant a payment to farmers entitled to a payment under the basic payment scheme *or the single area payment scheme* referred to in Chapter 1 and whose holdings are fully or partly situated in areas with natural constraints designated by Member States in accordance with Article 33(1) of Regulation (EU) No [...] [RDR].
2. Member States may decide to grant the payment referred to in paragraph 1 to all areas falling within the scope of that paragraph or, alternatively, and on the basis of objective and non-discriminatory criteria, to restrict the payment to some of the areas *designated by Member States in accordance with* ~~referred to in~~ Article 33(1) of Regulation (EU) No [...] [RDR].
3. Without prejudice to paragraph 2 and to the application of financial discipline, progressive reduction and capping, linear reduction ~~as referred in~~ *in accordance with* Article 7, and ~~any reductions and exclusions imposed pursuant to the application of~~ Article 65 of Regulation (EU) No [...] [HZR], the payment referred to in paragraph 1 *of this Article* shall be granted annually per eligible hectare situated in the areas to which *a* Member States *has* decided to grant a payment in accordance with paragraph 2 of this Article and shall be paid upon activation of payment entitlements on those hectares held by the farmer concerned *or, in Member States applying Article 28c, for those eligible hectares which are declared under the single area payment scheme.*

4. The payment per hectare referred to in paragraph 1 shall be calculated by dividing the amount resulting from the application of Article 35 by the number of eligible hectares declared in *accordance with ~~according to~~ Article 26(1) or, in Member States applying Article 28c, by the number of eligible hectares declared under the single area payment scheme* which are situated in the areas to which *a* Member States *has* decided to grant a payment in accordance with paragraph 2 of this Article.

Member States may on the basis of objective and non-discriminatory criteria also set a maximum number of hectares per holding for which support under this Chapter can be granted.

5. Member States may apply the payment referred to in ~~this Chapter paragraph 1~~ at regional level under the conditions laid down in this paragraph. ~~In that case, Member States shall define provided they determined~~ the regions *concerned* in accordance with objective and non-discriminatory criteria ~~such as and, in particular,~~ their natural constraint characteristics *including severity of the constraints*, and agronomic conditions.

Member States shall divide the national ceiling referred to in Article 35(1) between the regions in accordance with objective and non-discriminatory criteria.

The payment at regional level shall be calculated by dividing the regional ceiling calculated in accordance with the ~~third~~ *second* sub-paragraph by the number of eligible hectares declared *in accordance with ~~according to~~ Article 26(1) or, in Member States applying Article 28c, by the number of eligible hectares declared under the single area payment scheme* which are situated in the areas to which *a* Member States *has* decided to grant a payment in accordance with paragraph 2 of this Article.

Article 35

Financial provisions

1. In order to finance the payment referred to in Article 34, Member States may decide, by 1 August ~~2013~~ **2014**, to use up to 5 % of their annual national ceiling set out in Annex II. ***They shall notify any such decision to the Commission by that date. The decision referred to in the first sub-paragraph shall be notified to the Commission by the date referred to in that sub-paragraph.***

Member States may, by 1 August 2016, review their decision with effect from 1 January 2017. ***They shall notify the Commission of any reviewed percentage by 1 August 2016.***

2. ~~According to~~ ***On the basis of*** the percentage of the national ceiling to be used by Member States pursuant to paragraph 1, the Commission shall, by means of implementing acts, fix the corresponding ceilings for that payment on a yearly basis. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

CHAPTER 4

Payment for young farmers

Article 36

General rules

1. Member States [shall] grant an annual payment to young farmers who are entitled to a payment under the basic payment scheme ***or the single area payment scheme*** referred to in Chapter 1.

2. For the purposes of this Chapter, 'young farmers', shall mean *natural persons*:
- (a) ~~natural persons~~ who are setting up for the first time an agricultural holding as head of the holding, or who have already set up such a holding during the five years preceding the first submission of an application to the basic payment scheme *or the single area payment scheme* as referred in Article 73(1) of Regulation (EU) No [...] [HZR], and
 - (b) who are *no more less*-than 40 years of age *in at* the *year moment* of *submission tting* of the application referred to in point (a).

Member States may define further objective and non-discriminatory eligibility criteria for young farmers applying for the payment referred to in paragraph 1 of this Article as regards appropriate skills and/or training requirements.

3. Without prejudice to the application of financial discipline, progressive reduction and capping, linear reductions ~~as referred~~-in *accordance with* Article 7, and ~~any reductions and exclusions imposed pursuant~~ to *the application of* Article 65 of Regulation (EU) No [...] [HZR], the payment referred to in paragraph 1 of this Article shall be granted annually upon activation of payment entitlements by the farmer *or, in Member States applying Article 28c, upon declaration of eligible hectares by the farmer.*
4. The payment referred to in paragraph 1 shall be granted per farmer for a period of maximum five years. That period shall be reduced by the number of years elapsed between the setting up and the first submission of the application referred to in point (a) of paragraph 2.

5. Member States shall *each year* calculate ~~each year~~ the amount of the payment referred to in paragraph 1 by multiplying *the number of entitlements the farmer has activated in accordance with Article 25(1)* by a figure corresponding to:

(a) 25 % of the average value of the payment entitlements held by the farmer; *or*

(b) *25% of an amount calculated by dividing a fixed percentage of the national ceiling for the calendar year 2019, as set out in Annex II, by the number of entitlements he has activated all eligible hectares declared in 2015 in accordance with Article 26(1). That fixed percentage shall be equal to the share of the national ceiling set for the basic payment scheme in accordance with Article 19(1) for 2015.*

By way of derogation from the first sub-paragraph, Member States applying Article 28c shall calculate the amount of the payment each year by multiplying a figure corresponding to 25% of the single area payment calculated in accordance with Article 28c by the number of eligible hectares the farmer has declared in accordance with Article 28c(1a).

By way of derogation from the first and second sub-paragraphs, Member States may calculate the amount of the payment by multiplying a figure corresponding to 25 % of the national average payment per hectare by the number of entitlements the farmer has activated in accordance with Article 25(1) or by the number of eligible hectares the farmer has declared in accordance with Article 28c(1a). The average payment per hectare shall be calculated by dividing the national ceiling for the calendar year 2019, as set out in Annex II, by the number of eligible hectares declared in 2015 in accordance with Article 26(1) or, respectively, Article 28c(1a).

When applying *this paragraph* ~~the first subparagraph~~, Member States shall respect ~~the following~~ a maximum limits- *applicable to* ~~in~~ the number of ~~activated~~ payment entitlements *activated by the farmer or of eligible hectares declared by the farmer* ~~that are to be taken into account~~. *Member States shall set a single maximum limit which shall correspond to a figure not below 25 and not above 90.*

~~(a) in Member States where the average size of agricultural holdings as set out in Annex VI is lower than, or equal to, 25 hectares, a maximum of 25;~~

~~(b) in Member States where the average size of agricultural holdings as set out in Annex VI is higher than 25 hectares, a maximum that shall be no less than 25 and no greater than that average size.;~~

6. *By way of derogation from paragraph 5, Member States may allocate an annual lump sum amount per holding calculated by multiplying a fixed number of hectares by a figure corresponding to 25 % of the national average payment per hectare as established in accordance with the third subparagraph of paragraph 5.*

The fixed number of hectares referred to in the previous sub-paragraph shall be calculated by dividing the total number of eligible hectares declared pursuant to Article 26(1) or, respectively, Article 28c(1a) by the young farmers applying for the payment referred to in paragraph 1 in 2015 by the total number of young farmers applying for the same payment in 2015. However, a Member State may recalculate the fixed number of hectares in any year after 2015 in case of significant changes in the number of young farmers applying for the payment and/or in the size of the holdings of young farmers.

The lump sum amount a farmer may be granted shall not exceed the total amount of his basic payment before application of Article 65 of Regulation (EU) no [...] [HZR] in the given year.

- 6.7 In order to guarantee the protection of the rights of beneficiaries and to avoid discrimination among them, ~~the~~ The Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning the conditions under which a legal person may be considered eligible for receiving the payment referred to in paragraph 1, ~~in particular the application of the age limit set out in paragraph 2(b) to one or more natural persons participating in the legal person of this Article.~~**

Article 37

Financial provisions

1. In order to finance the payment referred to in Article 36, Member States shall use a percentage of the annual national ceiling set out in Annex II which shall not be higher than 2 %. They shall notify the Commission, by 1 August ~~2013-2014~~, of the estimated percentage necessary to finance that payment.

Member States may, *every year* by 1 August ~~2016~~, review their estimated percentage with effect from ~~1 January 2017~~ *the subsequent year*. They shall notify the Commission of the reviewed percentage by 1 August ~~2016~~ *of the year prior to the year of application of that revised percentage*.

2. Without prejudice to the maximum of 2 % set ~~under in~~ paragraph 1 *of this Article*, where the total amount of the payment applied for in a Member State in a particular year exceeds the ceiling set pursuant to paragraph 4 *of this Article*, and where that ceiling is lower than 2 % of the annual national ceiling set out in Annex II, Member States shall *finance the difference by applying Article 23(5)(c) in the relevant year and/or by applying* ~~apply~~ a linear reduction to all payments to be granted to all farmers in accordance with Article 25 *or in accordance with Article 28c(1a)*.

3. Where the total amount of the payment applied for in a Member State in a particular year exceeds the ceiling set pursuant to paragraph 4 *of this Article*, and where that ceiling amounts to 2 % of the annual national ceiling set out in Annex II, Member States shall apply a linear reduction to the amounts to be paid in accordance with Article 36 in order to comply with that ceiling.
4. ~~On the basis of the estimated percentage notified by Member States pursuant to paragraph 1, the Commission shall, by means of implementing acts, set the corresponding ceiling for the payment referred to in Article 36 on a yearly basis. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).~~

The Commission shall, by means of implementing acts, set on a yearly basis the ceilings for the payment referred to in Article 36 on the basis of the percentage notified by Member States pursuant to paragraph 1.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

TITLE IV
COUPLED SUPPORT
CHAPTER 1
Voluntary coupled support

Article 38

General rules

1. Member States may grant coupled support to farmers under the conditions laid down in this Chapter.

[Coupled support may be granted to the following sectors and productions: cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheepmeat and goatmeat, beef and veal, olive oil, silk worms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice.]

2. Coupled support may only be granted to *those* sectors or to *those* regions of a Member State where specific types of farming or specific agricultural sectors undergo certain difficulties and are particularly important for economic and/or social and/or environmental reasons.
3. By way of derogation from paragraph 2, coupled support may also be granted to farmers who held, on 31 December ~~2013~~ 2014, payment entitlements granted in accordance with Section 2 of Chapter 3 of Title III and Article 71m of Regulation (EC) No 1782/2003 and in accordance with Article 60 and the fourth subparagraph of Article 65 of Regulation (EC) No 73/2009; and who are without eligible hectares for the activation of payment entitlements under the basic payment scheme as referred to in Chapter 1 of Title III of this Regulation.
4. Coupled support may only be granted to the extent necessary to create an incentive to maintain current levels of production in the regions concerned.
5. Coupled support shall take the form of an annual payment and shall be granted within defined quantitative limits and based on fixed areas and yields or on a fixed number of animals.
6. Any coupled support granted under this Article shall be consistent with other Union measures and policies.

7. ***In order to ensure efficient and targeted use of Union funds and to avoid double funding under other similar support instruments,*** The Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning:
- (a) the conditions for granting the support referred to in this Chapter,
 - (b) rules on consistency with other Union measures and on the cumulation of support.

Article 39

Financial provisions

1. [In order to finance the voluntary coupled support, Member States may decide, by 1 August of the year preceding the first year of implementation of such support, to use up to ~~57~~57% of their annual national ceiling set out in Annex II.]

2. [By way of derogation from paragraph 1, Member States may decide to use up to ~~1012~~1012% of the annual national ceiling set out in Annex II provided that:
 - (a) they applied, until 31 December ~~2013~~ 2014, the single area payment scheme as laid down in Title V of Regulation (EC) No 73/2009, or financed measures under Article 111 of that Regulation, or are concerned by the derogation provided for in Article 69(5), or, in the case of Malta, in Article 69(1) of that Regulation; and/or
 - (b) they allocated, during at least one year in the period 2010-~~2013~~ 2014, more than 5 % of their amount available for granting the direct payments provided for in Titles III, IV and V of Regulation (EC) No 73/2009, with the exception of Section 6 of Chapter 1 of Title IV, for financing the measures laid down in Section 2 of Chapter 2 of Title III of Regulation (EC) No 73/2009, the support provided for in **subpoints** (i) to (iv) of ~~paragraph 1~~point (a) and ~~paragraphs 1~~in points (b) and (e) of Article 68(1) of that Regulation, or the measures under Chapter 1, with the exception of Section 6, of Title IV of that Regulation.]

3. [By way of derogation from paragraph 2, Member States having allocated during at least one year in the period 2010-~~2013-2014~~ more than 10 % of their amount available for granting the direct payments provided for in Titles III, IV and V of Regulation (EC) No 73/2009, with the exception of Section 6 of Chapter 1 of Title IV, for financing the measures laid down in Section 2 of Chapter 2 of Title III of Regulation (EC) No 73/2009, the support provided for in *subpoints* (i) to (iv) of ~~paragraph 1~~*point* (a) and ~~paragraphs 1~~*in points* (b) and (e) of Article 68(1) of that Regulation, or the measures under Chapter 1, with the exception of Section 6, of Title IV of that Regulation may decide to use more than ~~10~~12% of the annual national ceiling set out in Annex II upon approval by the Commission in accordance with Article 41 *of this Regulation*.]
- 3a. *By way of derogation from the percentages set out in paragraphs 1 to 3, Member States may choose to use up to EUR 3 million per year for the financing referred to in this Article.*
4. Member States may, by 1 August 2016, review their decision pursuant to paragraphs 1, 2 and 3 and decide, with effect from 2017:
- (a) to *leave unchanged*, increase *or decrease* the percentage fixed pursuant to paragraphs 1 and 2, within the limits laid down therein where applicable *or to leave unchanged or decrease the percentage fixed pursuant to paragraph 3, and, where appropriate, modify the conditions for granting the support;*
 - (b) to ~~reduce the percentage used for the funding of coupled support and, where appropriate,~~ modify the conditions for granting ~~that~~ support;
 - (c) to cease granting the support under this Chapter.
5. On the basis of the decision taken by each Member State pursuant to paragraphs 1 to 4 on the proportion of the national ceiling to be used, the Commission shall, [by means of implementing acts], fix the corresponding ceilings for the support on a yearly basis. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 40

Notification

1. ~~The Member States shall notify the~~ decisions referred to in Article 39 ~~shall be notified~~ to the Commission by the dates referred to in that Article. ~~and, e~~ Except for the decision referred to in Article 39(4)(c), the notification shall include information on the regions targeted, the selected types of farming or sectors and the level of support to be granted.

2. The decisions referred to in Article 39(2) and (3), or, where appropriate, in Article 39(4)(a), shall also include a detailed description of the particular situation in the region targeted and of the particular characteristics of the types of farming, or specific agricultural sectors, which make the percentage referred to in Article 39(1) insufficient to address the difficulties referred to in Article 38(2) and which justify an increased level of support.

Article 41

Approval by the Commission

1. The Commission shall, [by means of ~~an~~ implementing acts] ***adopted without applying the procedure referred to in Article 56(2) or (3)***, approve the decision referred to in Article 39(3), or, where appropriate, in Article 39(4)(a), where one of the following needs in the region or sector concerned is demonstrated:
 - (a) the necessity to sustain a certain level of specific production due to the lack of alternatives and to reduce the risk of production abandonment and the resulting social and/or environmental problems,
 - (b) the necessity to provide stable supply to the local processing industry, thus avoiding the negative social and economic consequence of any ensuing restructuring,
 - (c) the necessity to compensate disadvantages affecting farmers in a particular sector which are the consequence of continuing disturbances on the related market;
 - (d) the necessity to intervene where the existence of any other support available under this Regulation, Regulation (EU) No [...] [RDR] or any approved State aid scheme is deemed insufficient to meet the needs referred to in points (a), (b) and (c).

2. The Commission shall, [by means of implementing acts], adopt rules on the procedure for the assessment and approval of decisions referred to in paragraph 1. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

CHAPTER 2

Crop specific payment for cotton

Article 42

Scope

Aid shall be granted to farmers producing cotton falling within CN code 5201 00 under the conditions laid down in this Chapter ("crop specific payment for cotton").

Article 43

Eligibility

1. The crop specific payment for cotton shall be granted per hectare of eligible area of cotton. In order to be eligible, the area shall be located on agricultural land authorised by the Member State for cotton production, sown under ~~authorised~~ varieties ***authorised by the Member State*** and actually harvested under normal growing conditions.

The crop specific payment for cotton shall be paid for cotton of sound, fair and marketable quality.

2. Member States shall authorise the land and the varieties referred to in paragraph 1 in accordance with the rules and conditions to be adopted pursuant to paragraph 3.

3. ~~To~~ ***In order to*** ensure an efficient management of the crop-specific payment for cotton, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning rules and conditions for the authorisation of land and varieties for the purposes of the crop specific payment for cotton.
4. The Commission shall, by means of implementing acts, adopt rules on the procedure of the authorisation ***of land and varieties for the purposes of the crop specific payment for cotton*** and the notifications to the producers related to this authorisation. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 44

Base areas, fixed yields and reference amounts

1. The following national base areas are established:
 - Bulgaria: 3 342 ha,
 - Greece: 250 000 ha,
 - Spain: 48 000 ha,
 - Portugal: 360 ha.
2. The following fixed yields in the reference period are established:
 - Bulgaria: 1,2 tonne/ha,
 - Greece: 3,2 tonne/ha,
 - Spain: 3,5 tonne/ha,
 - Portugal: 2,2 tonne/ha.
3. [to be completed at a later stage]

4. If the eligible area of cotton in a given Member State and in a given year exceeds the base area established in paragraph 1, the amount referred to in paragraph 3 for that Member State shall be reduced proportionately to the overrun of the base area.
5. In order to ~~enable~~ **make** the application of the crop-specific payment for cotton **possible**, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning rules on the conditions for the granting of ~~that the crop-specific~~ payment ~~for cotton~~, on the eligibility requirements and ~~the~~ **on** agronomic practices.
6. The Commission may, by means of implementing acts, provide for rules on the calculation of the reduction provided for in paragraph 4. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 45

Approved inter-branch organisations

1. For the purpose of this Chapter, an ‘approved inter-branch organisation’ shall mean a legal entity made up of farmers producing cotton and at least one ginner, carrying out activities such as:
 - (a) helping to coordinate better the way cotton is placed on the market, particularly through research studies and market surveys;
 - (b) drawing up standard forms of contract compatible with Union rules;
 - (c) orienting production towards products that are better adapted to market needs and consumer demand, particularly in terms of quality and consumer protection;
 - (d) updating methods and means to improve product quality;
 - (e) developing marketing strategies to promote cotton via quality certification schemes.

2. The Member State where the ginners are established shall approve interbranch organisations that satisfy the criteria to be laid down pursuant to paragraph 3.
3. *In order to enable the efficient application of the crop-specific payment for cotton,* ~~the~~ Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning:
 - (a) criteria for the approval of inter-branch organisations;
 - (b) obligations for producers;
 - (c) rules **for governing** the situation where the approved inter-branch organisation does not ~~respect~~ **satisfy** those criteria.

Article 46

Granting of the payment

1. Farmers shall be granted the crop specific payment for cotton per eligible hectare as established in Article 44.
2. Farmers who are members of an approved inter-branch organisation shall be granted the crop specific payment for cotton per eligible hectare within the base area laid down in Article 44(1), increased by an amount of EUR 2.

TITLE V
Small farmers scheme

Article 47

General rules

1. *Member States [may] establish a scheme for small farmers in accordance with the conditions laid down in this Title (hereinafter referred to as 'small farmers scheme').*

Farmers holding payment entitlements *or, in Member States applying Article 28c, claiming for the single area payment scheme in 2015 allocated in 2014 pursuant to Article 21* and fulfilling the minimum requirements provided for in Article 10(1) may opt for participation in ~~a simplified this scheme under the conditions laid down in this Title, (hereinafter referred to as 'small farmers scheme')~~.

2. Payments under the small farmers scheme shall replace the payments to be granted pursuant to Titles III and IV.

The first sub-paragraph does not apply where a Member State opts for the payment method laid down in Article 49(2) of this Regulation without applying the last sub-paragraph of that provision. In that case, the payment shall be conditional upon the respective conditions laid down in Titles III and IV, without prejudice to paragraph 3 of this Article.

3. Farmers participating in the small farmers scheme shall be exempted from the agricultural practices provided for in Chapter 2 of Title III.

4. *No advantage provided for under this Title shall be granted in favour of Member States ~~shall ensure that no payment is made to~~ farmers in respect of ~~for~~ whom it is established that, as from 19 October 2011 ~~the date of publication of the Commission proposal for this Regulation~~, they *artificially created the conditions to benefit* ~~divide their holding with the sole purpose of benefiting~~ from the small farmers scheme. ~~This shall also apply to farmers whose holdings result from that division.~~*

Article 48

Participation

1. Farmers wishing to participate in the small farmers scheme shall submit an application by *a date to be fixed by Member States but not later than 15 October 2014 2015. The date fixed by Member States cannot, however be earlier than the last day for submission of an application for the basic payment scheme.*

Farmers not having applied for participation in the small farmers scheme by ~~15 October 2014 the date fixed by the Member State~~ or deciding to withdraw from it after that date or selected for support under Article 20(1)(c) of Regulation (EU) No [...] [RDR] shall no longer have the right to participate in that scheme.

2. *By way of derogation from paragraph 1, Member States may provide that those farmers whose amount of direct payments under Titles III and IV of this Regulation is lower than the maximum amount fixed by the Member State in accordance with Article 49 , shall be included in the small farmers scheme automatically unless they expressly withdraw from it by the date fixed by the Member State as referred to in paragraph 1 or in any subsequent year. Member States making use of this possibility shall inform the relevant farmers in due time about their right to withdraw from the scheme.*

3. *Member States shall ensure that an estimate of the amount of the payment referred to in Article 49 is made known to farmers in due time before the date of application or withdrawal fixed by the Member State.*

Article 49

Amount of the payment

1. Member States shall set the amount of the annual payment for *each farmer participating in* the small farmers scheme at one of the following levels, subject to paragraph 3:
- (a) an amount not exceeding ~~125%~~ of the national average payment per beneficiary, *which shall be established by the Member States on the basis of the national ceiling set in Annex II for calendar year 2019 and the number of farmers having obtained payment entitlements pursuant to Article 21(1) or having claimed for the single area payment scheme in 2015 pursuant to Article 28c;*
 - (b) an amount corresponding to the national average payment per hectare multiplied by a figure corresponding to the number of hectares with a maximum of ~~three~~ *five*. *The national average payment per hectare shall be established by the Member States on the basis of the national ceiling set in Annex II for calendar year 2019 and the number of eligible hectares declared in accordance with Article 26 or Article 28c in 2015.*

~~The national average referred to in point (a) of the first subparagraph shall be established by the Member States on the basis of the national ceiling set in Annex II for calendar year 2019 and the number of farmers having obtained payment entitlements pursuant to Article 21(1).~~

~~The national average referred to in point (b) of the first subparagraph shall be established by the Member States on the basis of the national ceiling set in Annex II for calendar year 2019 and the number of eligible hectares declared in accordance with Article 26 in 2014.~~

The amounts referred to in points (a) and (b) shall not be lower than EUR 500 and not higher than EUR 1 250.

Without prejudice to Article 51(1), where the application of points (a) and (b) results in an amount lower than EUR 500 or higher than EUR 1 250, the amount shall be rounded up or down, respectively, to the minimum or maximum amount.

2. *By way of derogation from paragraph 1, Member States may decide to grant participating farmers:*

(a) an amount equal to the total value of the payments to be allocated to the farmer each year under Titles III and IV of this Regulation, or

(b) an amount equal to the total value of the payments to be allocated to the farmer in 2015 under Titles III and IV of this Regulation.

~~The amount referred to in paragraph 1 shall not be lower higher than an amount fixed by the Member State between EUR 500 and not be higher than and EUR 1000 1 250.~~

~~Without prejudice to Article 51(1), where the application of paragraph 1 payment results in an amount lower than EUR 500, Member States may decide to round up this amount to EUR 500. or higher than EUR 1 000, the amount shall be rounded up or down, respectively, to the minimum or maximum amount.~~

3. In *Croatia*, Cyprus, *Slovenia* and Malta the amount referred to in paragraphs 1 and 2 may be set at a value lower than EUR 500, but not less than EUR 200 *or, in the case of Malta, not less than EUR 50.*

Article 50

Special conditions

1. During the participation in the small farmers scheme, farmers shall:
 - (a) keep at least a number of *eligible* hectares corresponding to the number of entitlements held *or to the number of eligible hectares declared under the single area payment scheme in 2015*;
 - (b) fulfil the minimum requirement provided for in Article 10(1)(b).

2. Payment entitlements activated in ~~2014~~ **2015** pursuant to Articles 25 and 26 by a farmer participating in the small farmers scheme shall be considered as activated entitlements for the duration of the participation of the farmer in that scheme.

The payment entitlements held by the farmer during the participation in that scheme shall not be considered as unused payment entitlements reversible to the national reserve within the meaning of Article 24(1)(b).

In those Member States applying Article 28c, the eligible hectares declared under the single area payment scheme in 2015 by a farmer participating in the small farmers scheme shall be considered as declared for the duration of the participation of the farmer in that scheme.

3. By way of derogation from Article 27, payment entitlements held by farmers participating in the small farmers scheme shall not be transferable, except in case of inheritance or anticipated inheritance.

Farmers who by way of inheritance or anticipated inheritance receive payment entitlements from a farmer participating in the small farmers scheme shall be eligible for participation in that scheme provided they meet the requirements to benefit from the basic payment scheme and that they inherit all the payment entitlements held by the farmer from whom they receive the payment entitlements.

4. ***Paragraphs 1, 2 and the first sub-paragraph of paragraph 3 of this Article shall not apply where a Member State opts for the payment method laid down in Article 49(2)(a) of this Regulation without applying the last sub-paragraph of Article 49(2).***
45. ***In order to ensure legal certainty,*** ~~The~~ Commission shall be empowered to adopt delegated acts in accordance with Article 55 ~~concerning~~ ***setting out*** the conditions for participation in the scheme where the situation of the participating farmer changes.

Article 51

Financial provisions

1. In order to finance the payment referred to in this Title, Member States shall deduct the amounts corresponding to the amounts to which the small farmers would be entitled as a basic payment ***or a single area payment*** referred to in Chapter 1 of Title III, ***as a redistributive payment referred to in Chapter 1a of Title III***, as a payment for agricultural practices beneficial for the climate and the environment referred to in Chapter 2 of Title III and, where applicable, as a payment for areas with natural constraints referred to in Chapter 3 of Title III, as a payment for young farmers referred to in Chapter 4 of Title III and as coupled support referred to in Title IV from the total amounts available for the respective payments.

In Member States having opted for calculating the amount of the payment pursuant to Article 49(2)(a) without applying the last sub-paragraph of Article 49(2), where the sum of those amounts for an individual farmer exceeds the maximum amount they have fixed, each amount shall be proportionately reduced.

The difference between the sum of all payments due under the small farmers scheme and the total amount financed in accordance with the first sub-paragraph shall be financed *in one or more of the following ways:*

- (a) by applying ~~a linear reduction to all payments to be granted in accordance with Article 253(5) in the relevant year;~~*
- (b) by using the funds left unused in the relevant year, to finance the payment for young farmers laid down in Chapter 4 of Title III;*
- (c) by applying a linear reduction to all payments to be granted in accordance with Articles 25 or 28c.*

Except where the Member State has opted for setting the amount of the annual payment pursuant to Article 49(2), the elements on the basis of which the amounts referred to in the first sub-paragraph are established shall remain the same for the entire duration of the participation of the farmer in the scheme.

2. If the total amount of payments due under the small farmers scheme exceeds 10 % of the annual national ceiling set out in Annex II, Member States shall apply a linear reduction to the amounts to be paid in accordance with this Title in order to respect that percentage, *unless they have set the amount of the payment in accordance with Article 49(2)(a) without applying the last sub-paragraph of Article 49(2).*

TITLE VI
NATIONAL RESTRUCTURING PROGRAMMES FOR THE COTTON SECTOR

Article 52

Use of the annual budget for the restructuring programmes

1. For Member States which have applied the first sub-paragraph of Article 4(1) of Regulation (EC) No 637/2008, the relevant annual budget available pursuant to Article 5(1) of that Regulation shall be transferred with effect from 1 January 2014 **as and shall constitute** additional Union funds for measures under rural development programming financed under Regulation (EU) No [...] [RDR].

2. For Member States which have applied the second sub-paragraph of Article 4(1) of Regulation (EC) No 637/2008, **the relevant annual budget available pursuant to their annual budget as referred to in** Article 5(1) of that Regulation is included with effect from 1 January 2017 in their national ceilings as set out in Annex II to this Regulation.

TITLE VII
FINAL PROVISIONS
CHAPTER 1
Notifications and emergency

Article 53

Notification requirements

1. *In order to ensure correct application of the rules set out in this Regulation, ~~the~~* Commission shall be empowered to adopt delegated acts in accordance with Article 55, on the necessary measures regarding notifications to be made by Member States *to the Commission* for the purposes of this Regulation or for the purpose of checking, controlling, monitoring, evaluating and auditing direct payments, *and for implementing complying with requirements laid down in* international agreements, *which have been concluded by a Council decision*, including notification requirements under those agreements. In so doing it shall take into account the data needs and synergies between potential data sources.

The information obtained may, where appropriate, be transmitted or made available to international organisations, *and* the competent authorities of third countries and may be made public, subject to the protection of personal data and the legitimate interest of undertakings in the protection of their business secrets.

2. ~~Taking into account the need~~ *In order* to make notifications referred to in paragraph 1 fast, efficient, accurate, and cost effective, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 for the purpose of laying down *further rules on:*
 - (a) the nature and type of the information to be notified;
 - ~~(b) the methods of notification;~~
 - (bb) the categories of data to be processed and maximum retention periods;*

(c) the rules related to the access rights to the information or information systems made available;

(d) the conditions ~~and means~~ of publication of the information.

3. The Commission shall, by means of implementing acts, adopt:

(aa) the methods of notification;

(a) rules on providing the information as necessary for the application of this Article;

(b) arrangements for the management of the information to be notified, as well as rules on content, form, timing, frequency and deadlines of the notifications;

(c) arrangements for transmitting or making information and documents available to the Member States, international organisations, the competent authorities in third countries, or the public, subject to the protection of personal data and the legitimate interest of farmers and undertakings in the protection of their business secrets.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 53a

Processing and protection of personal data

- 1. Member States and the Commission shall collect personal data for the purposes set out in Article 53(1) and shall not process this data in a way incompatible with these purposes.***
- 2. Where personal data are processed for monitoring and evaluation purposes as referred to in Article 53(1), they shall be made anonymous and processed in aggregated form only.***
- 3. Personal data shall be processed in accordance with the rules of Directive 95/46/EC and Regulation (EC) No 45/2001. In particular, such data shall not be stored in a form which permits identification of data subjects for longer than is necessary for the purposes for which they were collected or for which they are further processed, taking into account the minimum retention periods laid down in the applicable national and Union law.***

4. *Member States shall inform the data subjects that their personal data may be processed by national and Union bodies in accordance with paragraph 1 and that in this respect they enjoy the rights set out in the data protection rules of, respectively, Directive 95/46/EC and Regulation (EC) No 45/2001.*
5. *This Article shall be subject to the provisions in Articles 110a to 110d in Regulation (EU) No [...]HRZ].*

Article 54

Measures to resolve specific problems

1. The Commission shall ~~, by means of~~ adopt ***implementing acts*** ~~the measures~~ which are both necessary and justifiable in an emergency, in order to resolve specific problems. Such ~~measures~~ ***implementing acts*** may derogate from provisions of this Regulation, but only to the extent that, and for such a period, as is strictly necessary. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).
2. ~~On~~ ***Where*** duly justified imperative grounds of urgency ***so require, in order to resolve such specific problems while ensuring the continuity of the direct payments system in case of extraordinary circumstances*** ~~relating to the measures referred to in paragraph 1~~, the Commission shall adopt immediately applicable implementing acts, in accordance with the procedure referred to in Article 56(3).

3. *Measures adopted under paragraph 1 or 2 shall remain in force for a period not exceeding [six / twelve] months. If after this period the said specific problem persist, the Commission may, in order to establish a permanent solution, present appropriate legislative proposals.*
4. *The Commission shall inform the European Parliament and the Council of any measure adopted under paragraph 1 or 2 within two working days of their adoption.*

CHAPTER 2

Delegations of powers and implementing provisions

Article 55

Exercise of the delegation

1. The power to adopt the delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The ~~delegation of~~ power *to adopt delegated acts* referred to in ~~this Regulation~~ *Articles 2, 4(2), 6(2), 7(3), 8(3), 9(3), 17b(6), 28, 30(2), 31(3), 32(2), 36(6), 38(7), 43(3), 44(5), 45(3), 50(4), 53(1) and (2) and 58* shall be conferred on the Commission for ~~an indeterminate a~~ *period of ~~time~~ seven years from [insert date of the entry into force of this Regulation]. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the seven-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.*

3. The delegation of power referred to in *Articles 2, 4(2), 6(2), 7(3), 8(3), 9(3), 17b(6), 28, 30(2), 31(3), 32(2), 36(6), 38(7), 43(3), 44(5), 45(3), 50(4), 53(1) and (2) and 58* ~~this Regulation~~ may be revoked at any time by the European Parliament or by the Council. A decision ~~of revocation to revoke~~ shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to *Articles 2, 4(2), 6(2), 7(3), 8(3), 9(3), 17b(6), 28, 30(2), 31(3), 32(2), 36(6), 38(7), 43(3), 44(5), 45(3), 50(4), 53(1) and (2) and 58* ~~this Regulation~~ shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 2 months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or *of* the Council.

Article 56

Committee procedure

1. The Commission shall be assisted by a Committee called *the* "Committee for Direct Payments". That Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

In the case of acts referred to in [Articles 21(4), 24(2) and 53(3)], where the committee delivers no opinion, the Commission shall not adopt the draft implementing act and the third sub-paragraph of Article 5(4) of Regulation (EU) No 182/2011 shall apply.

3. Where reference is made to this paragraph, Article 8 of Regulation (EU) No 182/2011, in conjunction with Article 5 thereof, shall apply.

CHAPTER 3

Transitional and final provisions

Article 57

Repeals

1. Regulation (EC) No 637/2008 is repealed *[with effect from 1 January 2014]*. However, it continues to apply until 31 December 2017 in respect of Member States which have exercised the option laid down in the second sub-paragraph of Article 4(1) of that Regulation.
2. Regulation (EC) No 73/2009 is repealed *[with effect from 1 January 2014]*.

Without prejudice to paragraph 3, references to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table set out in Annex VII.

3. The references made in this Regulation to Regulations (EC) No 73/2009 and (EC) No 1782/2003 shall be understood as **referring being made** to those Regulations such as they were in force before their repeal.

Article 58

Transitional rules

In order to ensure a smooth transition from the arrangements provided for in Regulation (EC) No 73/2009 to those laid down in this Regulation, the Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning the necessary measures to protect ~~the~~ **any** acquired rights and legitimate expectations of farmers.

Article 59

Entry into force and application

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

[It shall apply from 1 January 2014.]

However, Articles 14, **18(2)**, 20(5), 22(6), **28a(1)**, 35(1), 37(1) and 39 shall apply from the date of entry into force of this Regulation.

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEXES

ANNEX I

List of support schemes

Sector	Legal base	Notes
Basic payment	Title III, Chapter 1 <i>Sections 1 to 3 and 5</i> of this Regulation	Decoupled payment
<i>Single area payment</i>	<i>Article 28c</i>	<i>Decoupled payment</i>
<i>Redistributive payment</i>	<i>Title III, Chapter 1a of this Regulation</i>	<i>Decoupled payment</i>
Payment for farmers following agricultural practices beneficial for the climate and the environment	Title III, Chapter 2 of this Regulation	Decoupled payment
Payment for farmers in areas with specific natural constraints	Title III, Chapter 3 of this Regulation	Decoupled payment
Payment for young farmers	Title III, Chapter 4 of this Regulation	Decoupled payment
Voluntary coupled support	Title IV, Chapter 1 of this Regulation	
Cotton	Title IV, Chapter 2 of this Regulation	Area payment
Payment for small farmers	Title V of this Regulation	Decoupled payment
Posei	Title III of Regulation (EC) No 247/2006	Direct payments under measures established in the programmes
Aegean islands	Chapter III of Regulation (EC) No 1405/2006	Direct payments under measures established in the programmes

Annexes II and III
[to be completed at a later stage]

ANNEX IV

Coefficients to be applied under Article 10(1)

Member State	Limit for the EUR threshold (Article 10(1)(a))	Limit for the hectare threshold (Article 10(1)(b))
Belgium	400	2
Bulgaria	200	0,5
Czech Republic	200	5
Denmark	300	5
Germany	300	4
Estonia	100	3
Ireland	200	3
Greece	400	0,4
Spain	300	2
France	300	4
<i>Croatia</i>	<i>100</i>	<i>1</i>
Italy	400	0,5
Cyprus	300	0,3
Latvia	100	1
Lithuania	100	1
Luxemburg	300	4
Hungary	200	0,3
Malta	500	0,1
Netherlands	500	2
Austria	200	2
Poland	200	0,5
Portugal	200	0,3
Romania	200	0,3
Slovenia	300	0,3

Slovakia	200	2
Finland	200	3
Sweden	200	4
United Kingdom	200	5

Annex V

[to be completed at a later stage]

ANNEX VI

Average size of agricultural holding to be applied under Article 36(5)

Member State	Average size of agricultural holding (in hectares)
Belgium	29
Bulgaria	6
Czech Republic	89
Denmark	60
Germany	46
Estonia	39
Ireland	32
Greece	5
Spain	24
France	52
<i>Croatia</i>	5,9
Italy	8
Cyprus	4
Latvia	16
Lithuania	12
Luxemburg	57
Hungary	7
Malta	1
Netherlands	25
Austria	19
Poland	6
Portugal	13
Romania	3
Slovenia	6

Slovakia	28
Finland	34
Sweden	43
United Kingdom	54

ANNEX [X]

LIST OF AEC COMMITMENTS EQUIVALENT TO GREENING MEASURES BASED ON PRACTICES

1. For crop diversification:

Equivalent AEC commitments:

- Currently existing/found in RDPs:

➤ *Crop diversification*

Requirement: at least 3 crops, maximum 70% for the main crop, and

- *with at least 4 crops, or*
- *with lower maximum thresholds, or*
- *with a more appropriate selection of crops (leguminous, protein crops; crops not requiring irrigation or pesticide treatments...)*

➤ *Crop rotation*

Requirement: at least 3 crops, maximum 70% for the main crop, and

- *with a more environmentally beneficial multiannual sequence of crops and/or fallow, or*
- *With at least 4 crops*

➤ *Winter soil cover (*)*

➤ *Catch crops (*)*

- Currently not existing, but theoretically possible:

➤ *Crop diversification*

Requirement: at least 3 crops, maximum 70% for the main crop, and including regional varieties of old /traditional/endangered crop types (on at least 5% of the rotated area)

2. For permanent grassland:

Equivalent AEC commitments (all currently existing/found in RDPs):

- *Management of meadows/pastures*

Requirement: maintenance of permanent grassland

Commitments such as:

- *Cutting regime/appropriate mowing (dates, methods, limits)*
- *Maintenance of landscape features on permanent pasture and control of scrub*
- *Specified grass varieties and/ or seeding regime for renewal depending on the grassland type (no destruction of high nature value)*
- *Evacuation of forage/ hay*
- *Appropriate management for steep slopes*
- *Fertiliser regime*
- *Pesticide restrictions*

- *Extensive grazing systems*

Requirement: maintenance of permanent grassland

Commitments such as:

- *Extensive grazing (timing, maximum stocking density)*
- *Shepherding/ mountain pastoralism*
- *Using local/traditional breeds for grazing the pasture*

3. For EFA:

Requirement: applied on at least 7 % of holding area except permanent grassland.

Equivalent AEC commitments (all currently existing/found in RDPs):

- *Ecological set-aside*

- *Creation of "buffer zones" for high nature value areas, Natura 2000 or other biodiversity protection sites, including along hedgerows and water courses*
- *Management of uncultivated buffer strips and field margins (cutting regime, local/specified grass varieties and/ or seeding regime, re-seeding with regional varieties, no use of pesticides, no disposal of manure and/or mineral fertilizers), no irrigation, no soil sealing*
- *Borders, in-field strips and patches managed for wildlife/ specific fauna (herbaceous border, protection of nests, wildflower strips, local seed mix, unharvested crops)*
- *Management (pruning, trimming, dates, methods, restoration) of landscape features (trees, hedgerows, riparian woody vegetation, stone walls (terraces), ditches, ponds)*
- *Management of traditional orchards (extensive, traditional local varieties, with conditions on the maximum number of trees per hectare).*
- *Keeping arable peaty/ wet soils under grass (with no use of fertilisers and no use of plant protection products)*
- *Production on arable land with no use of fertiliser (mineral fertiliser and manure) and/or plant protection products, and not irrigated, not sown with the same crop two years in a row and on a fixed place (*)*
- *Specific management in olive groves and vineyards (with conditions regarding wildlife habitats or implementation of crop specific integrated pest management, combined with soil cover) (*)*
- *Specific management of permanent crops with soil cover and no use of plant protection products*
- *Conversion of arable land or permanent crops into permanent pasture extensively used*

() The Commission shall be empowered to adopt delegated acts in accordance with Article 55 in order to determine for this commitment the method to be applied by the Member States for establishing the amount referred to in Article 29 paragraph 6 of Regulation (EU) [RDR].*

ANNEX /X/

/ EFA WEIGHTING MATRIX

	<i>Area coefficient (per surface unit)</i>	<i>Linear coefficient (per linear meter)</i>	<i>Individual feature coefficient (perfeature)</i>
<i>Extremely high value</i>			
<i>Very high value</i>			
<i>High value</i>			
<i>Others</i>			

	<i>EFA</i>
<i>Extremely high value</i>	<i>Area EFA:</i> <i>hedges*</i> <i>Linear EFA:</i> <i>hedges*</i> <i>forest edges</i> <i>Individual feature EFA:</i> <i>isolated trees</i>
<i>Very high value</i>	<i>Area EFA:</i> <i>fallow land with specific cover</i> <i>trees in groups / copses</i> <i>buffer strips</i> <i>ponds</i> <i>Linear EFA:</i> <i>Walls</i> <i>Ditches, dykes, drains, earth banks</i> <i>[terraces] to be further discussed whether terraces should be treated as linear elements or as area elements (in case of treatment as area element, terraces should be integrated in the</i>

	<p><i>group «high value »)</i></p> <p><i>trees in a line</i></p>
High value	<p><i>Area EFA:</i></p> <p><i>nitrogen fixing crops</i></p> <p><i>fallow land</i></p> <p><i>afforested areas</i></p> <p><i>eligible ha of agroforestry</i></p> <p><i>areas of permanent scrub or woodland(non-commercial) within arable parcels</i></p> <p><i>areas of permanent crops on steep slopes</i></p> <p><i>areas of permanent crops with [20 ;250] trees / ha</i></p> <p><i>areas with short rotation coppice</i></p>
Others	<p><i>Area EFA:</i></p> <p><i>areas with catch crops</i></p>

NOTES :

The Commission may, by means of implementing acts, add further elements to the list.

It will be necessary to decide whether or not peat bogs, wetlands, ponds and permanent watercourses should be considered as EFA.

*** Concerning hedges, Member States may decide :**

- *either to apply the area coefficient to the actual surface of the hedgerow ; in cases where a hedge is situated between two eligible areas the area coefficient is multiplied with the factor 2,*
- *or to apply, for reasons of simplification, the linear coefficient.]*

ANNEX VII

CORRELATION TABLE

[to be completed by the Lawyer Linguists at a later stage]

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 1	Article 1	-
-	Article 2	-
Article 2	Article 4	-
-	Article 5(2)	-
Article 3	Article 5	-
Article 4(1)	-	Article 91
Article 4(2)	-	Article 95
Article 5	-	Article 93
Article 6(1)	-	Article 94
Article 6(2)	-	-
Article 7	-	-
Article 8(1) and (2)	Article 7(1) and (3)	-
-	Article 7(2)	-
Article 9	-	-
Article 10	-	-
Article 11(1) and (2)	-	Article 25(1) and (2)
-	Article 8	-
Article 12(1) and (2)	-	Article 12
Article 12(3)	-	Article 14
Article 12(4)	-	-
Article 13	-	Article 13(2)
Article 14	-	Article 68
Article 15	-	Article 69
Article 16	-	Article 70
Article 17	-	Article 71
Article 18	-	Article 72
Article 19	-	Article 73
Article 20	-	Article 75
Article 21	-	Article 75(4)
Article 22	-	Article 96
Article 23	-	Article 97
Article 24	-	Article 99
Article 25	-	Article 100
Article 26	-	Article 63

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 27(1)	-	Article 102(3)
Article 27(2)	-	Article 49
Article 27(3)	-	Article 69(3)
-	Article 9	-
Article 28(1) and (2)	Article 10(1), (3) and (4)	-
-	Article 10(2)	-
Article 28(3)	Article 23(1)(a)(ii)	-
-	Article 23(1)(a)(i), (c) and (d)	-
-	Article 11	-
Article 29	-	Article 76
Article 30	-	Article 62
Article 31	-	Article 2(2)
Article 32	Article 15	-
Article 33(1)	Article 18(1)	-
-	Article 18(2)	-
Article 34(1) and (2)	Article 25(1) and (2)	-
Article 35	Article 26	-
Article 36	-	-
Article 37	Article 12	-
-	Article 14	-
Article 38	-	-
Article 39(1)	Article 25(3)	-
Article 40(1)	Article 6(1)	-
Article 40(2)	Article 19(3)	-
Article 41(1)	Article 23(1)	-
Article 41(2)	Article 23(3) and (4)	-
Article 41(3)	Article 23(5)(a)	-
Article 41(5)	Article 23(5)(b)	-
-	Article 23(2), (6) and (7)	-
Article 41(6)	Article 22(4)	-
Article 42	Article 24(1)(b)	-
Article 43(1) and (2)	Article 25(1) and (2)	-
Article 43(3)	-	-
Article 44	-	-
Article 45	-	-
-	-	-
-	Article 19(1) and (2)	-
Article 46(1) to (4)	Article 20(1) to (4)	-
Article 46(5)	-	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
-	Article 21	
Article 47(1)	-	-
Article 47(2)	Article 22(1) regional application	-
-	Article 22(1) national application	-
-	Article 22(2),(3), (5), (6) and (7)	-
Article 48	-	-
Article 49	-	-
Article 50	-	-
Article 51	-	-
Article 52	-	-
Article 53	-	-
Article 54	-	-
Article 55	-	-
Article 56	-	-
Article 57	-	-
Article 57a	Article 17b	-
Article 58	-	-
Article 59	-	-
Article 60	-	-
Article 61	-	-
Article 62	-	-
Article 63	-	-
Article 64	-	-
Article 65	-	-
Article 66	-	-
Article 67	-	-
Article 68	-	-
Article 69	-	-
Article 70	-	-
Article 71	-	-
Article 72	-	-
Article 73	-	-
Article 74	-	-
Article 75	-	-
Article 76	-	-
Article 77	-	-
Article 78	-	-
Article 79	-	-
Article 80	-	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 81	-	-
Article 82	-	-
Article 83	-	-
Article 84	-	-
Article 85	-	-
Article 86	-	-
Article 87	-	-
Article 88	Article 42	-
Article 89	Article 43	-
Article 90	Article 44	-
Article 91	Article 45	-
Article 92	Article 46	-
Article 93	-	-
Article 94	-	-
Article 95	-	-
Article 96	-	-
Article 97	-	-
Article 98	-	-
Article 99	-	-
Article 100	-	-
Article 101	-	-
Article 102	-	-
Article 103	-	-
Article 104	-	-
Article 105	-	-
Article 106	-	-
Article 107	-	-
Article 108	-	-
Article 109	-	-
Article 110	-	-
Article 111	-	-
Article 112	-	-
Article 113	-	-
Article 114	-	-
Article 115	-	-
Article 116	-	-
Article 117	-	-
Article 118	-	-
Article 119	-	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 120	-	-
Article 121	Articles 16 <i>and</i> 16a	-
Article 122	-	-
Article 123	-	-
Article 124	-	-
Article 124(6)	-	Article 98
Article 125	-	-
Article 126	-	-
Article 127	-	-
Article 128	-	-
Article 129	-	-
Article 130	-	-
Article 131	-	-
Article 132	Articles 17 <i>and</i> 17a	-
Article 133	-	-
-	Article 28	-
-	Article 29	-
-	Article 20	-
-	Article 31	-
-	Article 32	-
-	Article 33	-
-	Article 34	-
-	Article 35	-
-	Article 36	-
-	Article 37	-
-	Article 47	-
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-	Article 49	-
-	Article 50	-
-	Article 51	-
Article 134	-	-
Article 135	-	-
Article 136	-	-
-	Article 52	-
Article 137	-	-
Article 138	Article 3	-
Article 139	Article 13	-
Article 140	Article 53	-
Article 141	Article 56	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 142	Article 55	-
Article 142(r)	Article 54	-
Article 143	-	-
Article 144	-	-
Article 145	-	-
Article 146	Article 55	-
Article 146a	-	-
Article 147	Article 56	-
Article 148	-	-
Article 149	Article 57	-
